Austria Sch22 Indonesia Rp3100 Portugal Esc130
Bahrain Din0.650 Israel Shk3.50 S.Arabia Rls6.00
Belgium BFr48 Italy L1600 Singapore S$4.10
Canada C$1.00 Japan Y600 Spain Pta125
Cyprus C£0.75 Jordan Fils500 Sri Lanka Rup30
Denmark DKr9.00 Kuwait Fils500 Sweden SKr8.00
Egypt E£2.25 Lebanon $L125.00 Switzerland SFr2.20
Finland Fmk7.00 Luxembourg LFr48 Taiwan NT$85
France Fr6.50 Malaysia Ring2.25 Thailand Bht50
Germany DM2.20 Mexico Pes800 Tunisia Din0.800
Greece Dr100 Morocco Dh6.50 Turkey L500
Hong Kong HK$12 Netherlands Fl3.00 UAE Dh6.50
India Rup15 Norway NKr8.00 USA $1.00

FINANCIAL TIMES

EMS: One crucial step towards the ultimate goal, Page 26

EUROPE'S BUSINESS NEWSPAPER

No. 30,338 Wednesday September 16 1987 D 8523 A

World News

UK accuses Brussels of attack on tax system

Britain accused the European Commission of trying to use the European Court in Luxembourg to mount a political attack on its national tax system.

The charge came during the UK's defence against the Commission's legal campaign to force Britain to fall in line with other EC member states and charge value added tax on most new buildings, power, water and sewerage services for businesses, and a disparate list of other products. Page 26

Hussein accuses Iran

Iran wanted to take control of Islam's holy sites and create a new Persian empire, King Hussein of Jordan said in an interview with the Swiss newspaper 24 Heures.

Gulf ceasefire plan

UN Secretary-General Javier Perez de Cuellar said he discussed plans to implement a Gulf war ceasefire on his mission to Iran and Iraq but Western diplomats said Tehran appeared unwilling to end the conflict. Page 4

Fresh Eureka projects

Ministers of 19 nations agreed to include 58 new projects, valued at a total of $820m, in Europe's Eureka programme. Most of the ventures involved transport, laser technology, robotics and biotechnology. Page 2

Airbase for Chad

French warplanes would begin using a new airbase in eastern Chad later this month, moving them closer to zones of combat between Chadian and Libyan troops, France announced.

Food crisis looms

Ethiopia could face critical food shortages by the end of 1987 and Asian cereal output could be down by about 28m tonnes because of the weakest monsoon for many years, the UN Food and Agricultural Organisation said.

Tax officials sacked

The Indonesian Government had sacked or disciplined 200 tax officials as part of a crackdown on corruption, a tax chief said.

Yugoslav bank scandal

The director of Ljubljanska Banka, one of Yugoslavia's largest commercial banks, resigned over a scandal involving uncovered promissory notes worth up to $880m.

Arms chief surrenders

The managing director of Valsella Meccanotecnica, an Italian arms company alleged to have been involved in the clandestine shipment of mines to Iran, gave himself up to police in Tuscany 11 days after an arrest warrant for him was issued. Page 2

S. Korea strikers held

Riot police fired tear gas and arrested 10 strikers at South Korea's Hyundai shipyard as about 5,000 workers continued to stage rallies for higher pay, but the Labour Ministry said industrial strife was easing.

West Bank shooting

Israeli soldiers shot dead a 12-year-old Palestinian boy and wounded two other Arabs during demonstrations marking the 1982 massacre of Palestinians at two Beirut refugee camps.

New money in Burma

Burma's national bank said it would issue banknotes of 45 kyat ($6.80) and 90 kyat to replace three denominations of notes scrapped earlier in the month in an attempt to foil black marketeers and counterfeiters.

Nasa computer raid

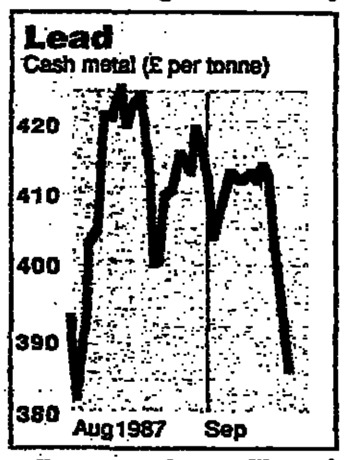
A group of West German computer enthusiasts said they had broken into a top secret Nasa computer network linking space research centres in the US with Europe and Asia.

Business Summary

N Korea to sign debt reschedule accord

North Korea has staved off the immediate threat of court action by Western banks to seize its assets in the UK by agreeing to sign a debt rescheduling accord. The country was declared in formal default on loans totalling DM1.4bn ($777m) last month. Page 26

LEAD prices came under further pressure on the London Metal Exchange after an early



rally ran out of steam. The cash price fell £16 to close at £386.50 a tonne, following Monday's £10 drop. Commodities, Page 36

WALL STREET: The Dow Jones industrial average closed 46.46 down at 2566.58. Page 48

LONDON: Securities markets were fairly subdued, with prices holding up well until Wall Street's early weakness. The FT-SE 100 index ended 7.3 lower at 2,264.5 and the FT Ordinary finished steady at 1,775.4. Details, Page 44

TOKYO stock market was closed for a national holiday.

GOLD rose in London by $4.25 to $459.50. In Zurich, it also rose to $459.05 from $456.75. Page 36

DOLLAR closed in New York at DM1.8115, Y143.60, SFr1.5015 and FFr6.0450. It fell in London to DM1.8155 (DM1.8170); FFr6.0575 (FFr6.0675); SFr1.5055 (SFr1.5070) and to Y144.00 (Y144.40). On Bank of England figures, the dollar's exchange rate index fell 0.4 to 101.0. Page 37

STERLING closed in New York at $1.6465. It rose in London to $1.6425 ($1.6370); FFr9.9500 (FFr9.9325); SFr2.4725 (SFr2.4675); DM2.9825 (DM2.9750), but was unchanged at Y236.50. The pound's exchange rate index rose 0.1 to 73.0. Page 37

ASHER EDELMAN, New York corporate raider, is considering taking a controlling stake in Foster Wheeler, through an investment group which has built up a 3.7 per cent stake in the New Jersey-based heavy equipment maker. Page 27

VOEST-ALPINE, Austria's largest state-run steel and engineering group, reported losses of Sch5bn ($390m) for the first seven months of the year. Page 29

USG, major US building products group known formerly as US Gypsum, plans to increase its presence in the US do-it-yourself market to reduce its dependence on the more cyclically sensitive construction business. Page 27

HONGKONG and Shanghai Banking Corporation looks set to succeed in its bid to acquire the 48 per cent stake it does not already own in Marine Midland Bank of the US. Page 28

NATIONAL Semiconductor, US chip and computer maker, which a fortnight ago agreed to purchase rival Fairchild Semiconductor for $122m, has confirmed its own earnings recovery by revealing $13m in net profits for its first quarter to August. Page 27

WANG Laboratories, US computer and word processor group, is looking for revenue growth of about 16 per cent from its fastest growing European markets. Page 27

PROVIGO, Canada's second largest food distributor, had a 13.2 per cent gain in sales in the half-year ended August 15. Page 27

Washington arms talks open on optimistic note

BY ROBERT MAUTHNER AND STEWART FLEMING IN WASHINGTON

PRESIDENT Ronald Reagan and Mr Eduard Shevardnadze, the Soviet Foreign Minister, struck an optimistic note yesterday at the opening of three days of talks aimed at clearing the remaining obstacles to agreement on the global elimination of intermediate-range nuclear missiles.

At a ceremony in the White House rose garden at which Mr Shevardnadze and Mr George Shultz, the US Secretary of State, signed a new agreement for the exchange of information in order to reduce the risk of accidental nuclear war, Mr Reagan said that the new nuclear risk reduction centres "could play a key role in the exchange of information necessary for the verification of future arms control agreements."

Mr Shevardnadze replied that the accord could be "a prelude to a quenching of a global thirst for peace and security."

The Soviet Foreign Minister, at the opening of a noon meeting with Mr Reagan following nearly three hours of one-to-one talks with Mr Shultz at the State Department in the morning, was asked by reporters about a letter he has brought for President Reagan from Mr Mikhail Gorbachev, the Soviet leader. "There are good things in that letter," he said.

Asked if it included a date for a summit meeting between the superpower leaders, he said: "No date," adding "but a summit is necessary."

Briefing reporters after the morning meeting with Mr Shultz, Mr Charles Redman, State Department spokesman, quoted Mr Shultz as saying the two officials had had "a very good meeting, thorough and constructive".

He said that the focus of the talks had been on human rights issues and how to organise the delegations from the two sides which are expected, in particular, to work on the outstanding arms control issues which have yet to be resolved. Mr Redman said that the focus of the discussions between Mr Shultz and Mr Shevardnadze would shift to arms control in the session beginning in the afternoon.

Among the main issues still blocking an agreement on the elimination of INF forces are the timing and phasing out of missiles on both sides, the future of West German-owned Pershing 1As, whose warheads are controlled by the US, and verification problems.

In its draft treaty tabled in Geneva on Monday, the US formally proposed that longer-range INF missiles with a range of 1,000km to 5,000km (600-3,000 miles) should be eliminated within three years, and the shorter-range missiles with a range of 500km to 1,000km (300-600 miles), within one year. The Soviet Union on the other hand has proposed five years for the longer-range weapons and one year for the shorter-range ones.

The latest American draft contains a concession compared with previous US proposals. Washington is now prepared to begin reducing its medium range missile force as soon as a treaty goes into effect, whereas it had previously insisted that Moscow would have to reduce its missiles to the lower level of the US force before the US began its own reductions.

On the Pershing 1A question, which has been elevated by the Russians as a last-minute obstacle to a conclusion of the treaty, the US continues to refuse to include any references to these missiles in a bilateral treaty with the Soviet Union because it involves 'third country' systems. But, following West German Chancellor Helmut Khol's undertaking that Bonn would eliminate all its 72 Pershing 1As once the US and the Soviet union had implemented their INF agreement, the US said it would then withdraw its warheads.

The two sides are still at odds, however, over the Soviet demand that the American-owned warheads, whether they were stocked in West Germany or on US soil, should also be totally destroyed. US officials have emphasised that the INF treaty is about missiles, not warheads, and that in any case, the elimination of warheads could never be properly verified.

Nuclear risk agreement, Page 4

George Tan: former Carrian chairman

HK fraud trial judge dismisses charges

By David Dodwell in Hong Kong

THE CARRIAN fraud trial, Hong Kong's longest and most expensive criminal trial, ended sensationally yesterday when the judge ruled that the *six defendants had no case to* answer.

In dismissing charges Mr Justice Barker said that there had been "uncontradicted evidence of many deceptions practised on Price Waterhouse accountants" - Carrian's auditors - "if anything, the evidence disclosed a conspiracy against the auditors."

Two of the defendants were Mr David Begg and Mr Anthony Lo, employees of Price Waterhouse in Hong Kong.

The judge found no case to answer against these two, and no direct evidence connecting two others, Mr Rogerio Lam and his brother Mr Steven Lam, with any conspiracy. There was nothing left, he said, on which to base a case *against the principal accused,* Mr George Tan, former Carrian chairman, and Mr Bentley Ho, his right-hand man.

Mr Tan and Mr Ho still face further charges in connection with Bank Bumiputra Malaysia.

The acquittal will be a blow to the Hong Kong Government, whose Legal Department has committed resources on an unprecedented scale. In May this year the Government said the case had cost about HK$27m ($4.5m) to prosecute. It may be liable for a further HK$100m or more if a defence appeal for costs is accepted.

Yesterday was to have been day 281 of the trial, with defence counsel beginning to reply to charges presented over the past 64½ weeks by government prosecuters, which alleged conspiracy to defraud shareholders in the now defunct shipping and property group.

Bundespost deregulation plan attacked

BY PETER BRUCE IN BONN

A REPORT on deregulating West Germany's Bundespost, due to be given to Chancellor Helmut Kohl today, has been condemned for not going far enough by four of the 12 people on the Government Commission that drew it up.

In what is a victory for the opponents of a full-scale reform of the West German telecommunications monopoly - the left-wing postal union, the right-wing Bavarian Government and some major equipment suppliers, including Siemens - the Commission has recommended that the Bundespost retain its monopoly over the telecoms network and the telephone service.

Its most far-reaching recommendations merely involve an opening of the telecommunications equipment (including telephones) and services market to outside bidders. They will, however, have to compete with the Bundespost, which would be allowed to continue operating in all its present fields.

Even the report's fairly moderate recommendations - which took 2½ years to complete - are likely to cause deep argument in the Government, particularly among the conservative parties. Trade unionists say the recommendations, if implemented, *could cost 10,000 of the Bundes*posts's current 500,000 jobs.

Mr Kohl's Christian Democrats may not be willing to implement proposals which many conservatives believe will force up postal charges and reduce the efficiency of rural telephone services after election defeats in North Germany.

A draft of the critical minority report prepared in July and, it is understood, little changed since then says that if the network and telephone service remain, as recommended by the majority, under the Bundespost monopoly, 90 per cent of West German telecommunications will not be subject to competition.

"This will have far reaching consequences for the whole telecommunications sector and for the competitiveness of the Federal Republic," it says.

"Everything points to a dramatic increase in the importance of telecoms for the entire economy," and the report's authors are "convinced that only the replacement of the monopoly with competition at all levels can lead to a market capable of withstanding the future."

The authors recommend that at least one other network is licensed to compete with the Bundespost and worry that even the implementation of the majority report will not satisfy American objections to the difficulty of selling services in the German market.

They also say the majority report takes no account of the approach of the EC internal open market in 1992.

The main recommendations of the majority report are:

- That Telekom (as the telecoms service would be renamed) retains the network mo-

Continued on Page 26

IBM settles copyright dispute with Fujitsu

BY ANATOLE KALETSKY IN NEW YORK

INTERNATIONAL Business Machines has reached an agreement with Fujitsu, the leading Japanese computer manufacturer, in a vast software copyright dispute which has already resulted in IBM receiving hundreds of millions of dollars in compensation from its Japanese rival.

The full financial terms of the agreement will not be finalised *for another year* and will be set by independent arbitrators. But the IBM-Fujitsu settlement was yesterday described by officials of both companies as a landmark decision which strikes a fair balance between the protection of IBM's property rights and the promotion of competition in the worldwide market for mainframe computers.

The copyright dispute has clouded the relationship between IBM and its Japanese rivals since 1982, when IBM first accused Fujitsu of copying IBM operating systems in developing *its own IBM-compatible main*frame computers.

The IBM accusations against Fujitsu came shortly after a separate incident in June of the same year, when FBI investigators in California arrested 17 Japanese businessmen working for Hitachi and Mitsubishi Electric, accusing them of stealing secrets relating to the design of both the hardware and software of *IBM mainframes.*

Unlike the Hitachi case, the Fujitsu dispute never involved criminal allegations and was provisionally settled out of court in 1983, after negotiations lasting eight months between the two companies. This deal quickly broke down, however, and independent arbitrators were brought in, under the aegis of the American Arbitration Association.

While the Hitachi case, in which the Japanese company admitted theft, was eventually settled last year directly between *the two companies, the* Fujitsu dispute was much more complicated because it involved considerable uncertainty about how much of the IBM material was protected by copyright law, since IBM did not register for copyright on its programs until 1978.

According to one of the arbitrators' statements, the settlement will cost Fujitsu a "very substantial" sum, even "in relation to the size of these companies".

In exchange, Fujitsu will receive immunity from all IBM claims relating to past copyright infingements and will be granted selective access for the next five to 10 years to future IBM operating system developments.

Fujitsu's payment will almost certainly run into hundreds of millions of dollars.

IBM launches trading system, Page 11

Pickens increases bid for Newmont

BY GORDON CRAMB IN NEW YORK

IVANHOE PARTNERS, the US investor group led by Mr T. Boone Pickens, yesterday increased its bid for Newmont *Mining by $10 per share to stand* at $105, valuing the second largest US gold mine operator at just under $7bn.

The Ivanhoe group, which said it now holds 9.95 per cent of Newmont, is seeking 28m further shares to take its stake to 51 per cent.

Its tender offer, improved a week after its original bid was brought to the market, aims ultimately to take full control of the company, in which Consolidated Gold Fields of the UK holds a key 26.2 per cent.

Newmont shares rose $5⅝ following the news, to close at $101⅛ on the New York Stock Exchange.

Shares in gold producers usually sell at roughly 20 per cent *discount to this* in the absence of any particular spur.

Newmont made no immediate response yesterday, although Mr Nicolas Toufexis, a mining analyst with Prudential-Bache, said he thought the enhanced terms would still be found unsatisfactory. "This is an asset story, and is a moving target as a consequence," he said.

Ivanhoe, of Amarillo in Texas, announced that the partners had increased their new equity commitments for the offer to $700m cash, from $600m.

Continued on Page 26

Peru signs debt-for-goods deal with Midland Bank of UK

BY PETER MONTAGNON, WORLD TRADE EDITOR, IN LONDON

MIDLAND BANK of the UK has signed a breakthrough debt-for-goods deal with Peru under which it will be able to cancel a small part of its loan exposure to President Alan Garcia's Government in return for arranging the sale of Peruvian goods in international markets.

The deal, which has been in negotiation for several months, is believed to be the first such arrangement actually to be signed by any debtor country. Peru has been attempting to pioneer such a scheme since last year as part of its policy of promoting countertrade.

The agreement provides for Midland to market Peruvian goods to a total value of $23m, with $8.8m of the proceeds going to cancel loans and the remainder reverting to Peru in cash. The goods are expected to include iron and iron ore pellets, steel balls for the mining industry, copper-coated wire and oil filters.

Midland has never disclosed the value of its exposure to Peru, but industry analysts estimate that the amount involved in this deal cannot represent more than 5 per cent of its outstanding loans to that country.

However, bankers said that the significance of the deal goes beyond its small size because it marks the introduction of a new technique in managing the debt problem.

Peru has been discussing similar deals with other banks. But until now it has been reluctant to sign such arrangements and scepticism has been rife in the banking community over whether they would be workable. Signature of the Midland deal means this logjam could be broken.

Another deal which has been awaiting signature is a larger one negotiated by First Interstate of California which would allow it to cancel some $40m out of its $100m exposure to Peru over a five year period.

Debt-for-goods swaps are controversial in the banking community because some bankers argue that they give institutions which sign them preferential access to a country's export earnings. Supporters argue that they create exports which would not otherwise take place.

- Midland Bank said yesterday that it had signed three loans totalling £66.8m ($109.5m) in support of UK exports to Iraq.

The loans come under a financing protocol signed between the two countries in November 1984.

The loans consist of a £52.6m general purpose credit line to Rafidain Bank and two buyer credits for the supply by Ames Crosta Babcock of mechanical and electrical equipment for the Rashdiya and Najaf Kufa water supply schemes.

They made MILLIONS, while Tokyo slept.

Did you?

TOKYO. OCTOBER 31ST. 2.05AM/LONDON OCTOBER 30TH. 5.05PM. Nikkei Telecom London subscribers informed that next morning's edition of Nihon Keizai Shimbun will report that the government has decided to implement discount rate cut to 3%. London acts. Tokyo sleeps.

TOKYO. OCTOBER 31ST. 7.00AM/LONDON OCTOBER 30TH. 10.00PM. Nihon Keizai Shimbun hits stands in Tokyo with news. Tokyo awakes to surging market.

LONDON. OCTOBER 31ST FINANCIAL TIMES. "The Nikkei average showed a record one day increase, closing 505.57 up at 17,010.95 in anticipation of Japan's discount rate cut."

Information that will move Japanese markets tomorrow is available in London today.

Japan's uniquely influential business paper, the Nihon Keizai Shimbun, goes into our mainframe computer at night in Tokyo, hours before it's printed and on sale. And now it is available here instantly, IN ENGLISH through our online Nikkei Telecom service. Previously it was available only in Japanese. The major Japanese companies get their information, in London, before Tokyo.

The two keys to this remarkable situation are first, the time lead over Tokyo, second the extraordinary impact of Nihon Keizai Shimbun on Japanese decision makers. It MAKES markets. Those who understand this relationship best, profit most. You should have Nikkei Telecom. They do.

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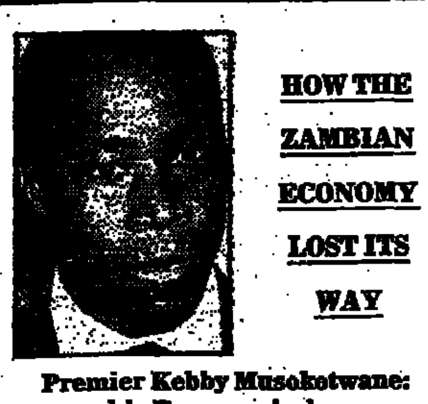

HOW THE ZAMBIAN ECONOMY LOST ITS WAY

Premier Kebby Musokotwane: his Europe mission was not well received, Page 4

DG Securities Services Corporation presents
the Second in its European Securities Summit Series

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Germany: Vice President and Head of Research, DG Securities, Elke Knutzen presents an overall view of today's German economy with a look at the future for German securities. Group Manager, Investment Advisory Services and New Offerings, DG BANK, (Bavaria), Petra Kastner critiques the German market's new offerings in stocks and bonds.

Switzerland: Head of Research, DG BANK (Switzerland), Zurich, Eveline Jaeger discusses the Swiss market and the attractiveness of Swiss securities to institutional investors.

Great Britain: Manager of Corporate and Investment Banking, London & Continental Bankers, Ltd., London, Anne M. Senanayake covers the current bull market in Britain and the future prospects for the London Exchange.

France: Vice President, Investment Funds Manager and former Chief Economist, Credit Agricole, Paris, Catherine Alionas brings you up to date on this rapidly changing capital market.

Denmark: Managing Director and Deputy Chairman of the Managing Board, Andelsbanken Danebank, Copenhagen, Bodil Nyboe Andersen describes the structure of the Danish capital market with an overview of the current economic situation and outlook for the coming year.

Holland: Senior Officer in Charge of Syndications and New Offerings, Rabobank, Amsterdam, Emmie Steffens describes the latest changes in the Dutch capital market with perspectives for the economy in general and securities in particular.

Austria: Investment Advisor for Foreign and Domestic Institutional Investors, Genossenschaftliche Zentral Bank (GZB), Vienna, Dr. Ruth Iwonski-Bozo analyzes the Austrian capital market of today and tomorrow.

Spain & Italy: Manager, Sun Life Investment Management Services, London, Susan Swan discusses the present and future of two of Europe's most volatile markets, pointing out the pitfalls and opportunities peculiar to each.

For reservations: Seminar admission is free. It is, however, restricted to institutional portfolio managers, traders, analysts and executives. Write on your letterhead or phone: Seminar Director, DG Securities Services Corporation, (212) 683-5551.

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EUROPEAN NEWS

Balladur pledges 2½% inflation on eve of budget

BY GEORGE GRAHAM IN PARIS

FRANCE'S inflation rate will fall to 2.5 per cent next year, Mr Edouard Balladur, the Finance Minister, forecast yesterday.

Mr Balladur, who will today present his third budget in 18 months, said that inflation this year would probably amount to 3.3 to 3.4 per cent, compared with an original budget target of 2 per cent.

Inflation would be only 2 percentage points higher in France than in West Germany by the end of the year, Mr Balladur said, and by the end of 1988 his target was for a gap of only 1 percentage point.

French consumer prices in August rose by 0.2 per cent, bringing the state statistical institute Insee said yesterday, bringing inflation to 3.5 per cent over the past 12 months.

Mr Balladur described this inflation rate as "acceptable," and said that France was responding in a reasonable fashion to its new freedom from price controls.

The budget to be presented to the Council of Ministers tomorrow will reduce the government deficit to FFr 115bn from FFr 130bn in 1987, but will at the same time bring around FFr 32bn of tax cuts.

Tax cuts—helped by stronger than expected receipts in 1987—include a FFr 8bn reduction in income tax rates. Lower rate bands will be cut by 4 per cent, with a 2 per cent cut in the higher bands.

But the yawning FFr 33.6bn deficit in the French social security budget, presented separately from the general government budget, has led to increased levies which offset the effect of reduced income taxes.

Statistics published by the Organisation for Economic Co-operation and Development last week showed that the total tax burden in France was 45.1 per cent of gross domestic product, one of the highest in the developed world.

The impact of the social security contributions will increase the burden for lower income families next year, while higher income taxpayers will see their overall payments fall.

The Government will be helped by receipts from its privatisation programme. Revenue this year, originally forecast at FFr 30bn, has already reached FFr 52bn.

The Government has further privatisations to come before the end of the year, including the flotation next month of the Suez investment banking group, and Mr Balladur announced yesterday that he also planned to privatise the SCOR reinsurance company before the end of the year.

In 1988 another FFr 50bn of privatisation income is expected. Some FFr 35bn of this will be used to reduce Government debt, while FFr 15bn will help to strengthen the capital of companies remaining in the state sector.

The corporate sector will benefit from the imposition of value added tax on telecommunications charges, allowing companies to reclaim around FFr 7bn of tax.

In addition, the Government has already announced reductions in VAT rates charged on cars and records, which used to be subject to the 33 per cent VAT levied on luxury items.

These VAT cuts are viewed as a small gesture in the direction of an eventual harmonisation of European Community tax rates, which the EC Commission hopes to achieve in preparation for the freeing of the European internal market in goods and services in 1992.

Although Mr Pierre Beregovoy, the former socialist prime minister, has recently attacked Mr Balladur for leaving "timebombs," spending promises which he will not have to pay for until after next year's presidential elections, the budget is not expected to be much contested.

Go-ahead for 58 more Eureka projects

By Tom Burns in Madrid

EUROPEAN governments yesterday announced another 58 joint ventures in the ambitious Eureka project, which is aimed at encouraging the development of products on a Europe-wide basis in high technology industries.

Britain's Kenneth Clarke, Chancellor of the Duchy of Lancaster, said that 17 of the new projects involved UK participation and that the total value of the new projects with British input was about £300m.

Mr Clarke spoke in support of limiting government involvement in Eureka projects and said that their future was assured by the private sector.

His view were endorsed in separate statements by several other ministers, including the West German and the Swiss delegates, while Alain Madelin, France's Transport Minister, argued in favour of positive government backing through fiscal measures benefiting private sector ventures linked to Eureka.

The exchanges pinpointed possible areas of friction as maturing Eureka projects complete the initial stages of research and require greater funding to develop prototypes.

Mr Karl Heinz Narjes, vice-president of the European Commission, gave a warning about bending EC rulings: "The more market orientated the publicly funded research and technological development . . . the greater the risk of a distorting effect on competition."

The projects announced yesterday will be added to the 165 ventures grouping European companies and research institutes created since the project was launched two years ago in Paris.

The broad aim of Eureka is to create a European high technology market and to increase European competitiveness through private industry-led European collaboration in advanced technology research and development.

Talks on co-operation with Eastern Europe centred on applications by Hungary and Yugoslavia to join Eureka projects.

Chirac set for flying visit to New Caledonia

BY IAN DAVIDSON IN PARIS

MR JACQUES CHIRAC, the French Prime Minister, makes a flying visit to the French territory of New Caledonia tomorrow, when he is expected to propose new administrative arrangements for the territory in the wake of the Government's surprisingly strong showing in last Sunday's referendum.

The details of the new arrangements have yet to be revealed, but they are expected to include a significant measure of regional devolution in the hope of appeasing the Melanesians, known as Kanaks, who form a substantial minority of the population.

One formula being canvassed is that there would be four regions: the south (including the capital Noumea) and the centre, both of which would be dominated by the European settlers, or "Caldoches," and the north and the Loyalty Islands to the east, which would be dominated by the Kanaks.

Such a revision would be intended by the Government as an act of reconciliation with the Kanaks, whose leaders have been pressing for independence. The Kanak leaders, knowing that they were too few to win an outright majority in last Sunday's independence referendum, called for a boycott of the vote.

The fact that the referendum secured a turnout of almost 60 per cent, and a 98 per cent "yes" vote among the voters, was clearly a serious setback for the Kanak leaders.

Nevertheless, it remains clear after the referendum that the vote would not dispose of the Kanak aspirations for independence and that, unless the Government can succeed in mending fences with the Kanaks, there is a continuing risk of tension, and perhaps violence, between the communities.

What is not clear is whether local devolution will be enough to bring about a reconciliation. Even if there were a simple solution (which there is not), it has been complicated by the manoeuvrings of the left and right in France in the context of cohabitation between a Socialist President and the centre-right Government.

The previous Socialist Government, which was defeated in last year's general elections, was instinctively more inclined to a formula of Independence-Association. The centre-right Government of Mr Jacques Chirac naturally prefers to retain control of this small Pacific territory, not least because the European settlers are also Gaullist voters.

Italian arms chief surrenders in Tuscany

BY ALAN FRIEDMAN IN MILAN

MR PAOLO TORSELLO, the managing director of the Brescia-based arms company alleged to have been involved in the clandestine shipment of mines to Iran, surrendered yesterday afternoon to the authorities in the Tuscan town of Massa.

Mr Torsello had been a fugitive since an arrest warrant was issued in his name 11 days ago. Lawyers for Valsella Meccanotecnica, the Brescia arms company that is 50 per cent-owned by the Fiat group, have said that Valsella executives are innocent and that Mr Torsello was not hiding from the law. No explanation has been provided, however, as to why he waited so long to turn himself in.

Mr Ferdinando Borletti, the Valsella chairman, and his son, were given "provisional liberty" on Monday after their arrest 11 days ago.

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De Mita offers Craxi peace gesture

BY JOHN WYLES IN ROME

MR CIRIACO De Mita, secretary of Italy's Christian Democrat Party, yesterday sought to quell an internal revolt against his leadership by offering an olive branch to his great rival and adversary, Mr Bettino Craxi, the Socialist Party leader.

In a 60 page speech to his party's national council, Mr De Mita abandoned some of the key elements of the political strategy he has pursued for the last two years.

Having recently campaigned in the June election on the basis that electors must choose between Christian Democracy and Communism, Mr De Mita declared yesterday that the Italian Communist Party could no longer be regarded as an alternative choice to the Christian Democrats.

He accepted, instead, that Mr Craxi's Socialists may increasingly be regarded as an alternative, but only after a process of institutional reform. This should aim at "establishing new rules which, among others, give Italian citizens the effective choice of a majority government."

This is not the first time that Mr De Mita has espoused the cause of institutional and electoral reform. But he has not before invited the Socialists to agree a system which might offer them the possibility of leading an alternative governing line-up from that traditionally dominated since the Second World War by the Christian Democrats.

Mr De Mita's overtures to the Socialists and recognition of the legitimacy of their ambitions to lead the Italian left, is clearly a response to his opponents' complaints that his previous hostility to Mr Craxi was undermining the stability of Italian government and was, in any case, counterproductive.

The Socialists gained nearly 3 points to take 14.3 per cent of the vote in the June elections, compared to the 1.4 percentage point advance by the Christian Democrats to 34.3 per cent and the 3.3 point loss by the Communists which left them with 26.6 per cent.

Mr Giulio Andreotti, the powerful foreign minister who has recently declared himself opposed to Mr De Mita's re-election as party secretary at the Congress next spring, said afterwards that the speech had "corrected many positions recently adopted," adding ominously for Mr De Mita, "things are what they are."

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EUROPEAN NEWS

Nato commander warns of risks in missile deal

BY DAVID BUCHAN ON LUNEBURG HEATH

REMOVAL OF medium and shorter range nuclear missiles would increase the level of risk in Europe unless other nuclear and conventional weapon improvements were made, Nato's supreme commander said yesterday.

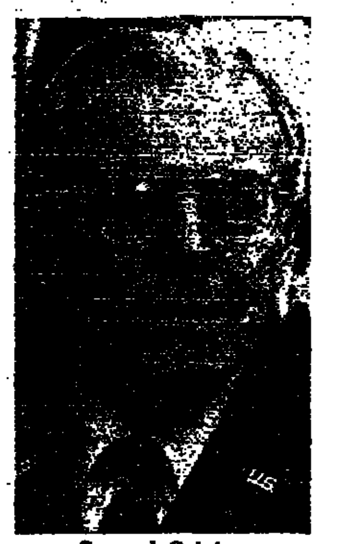
Speaking as US and Soviet Foreign Ministers met to discuss the imminent deal on Intermediate Nuclear Forces (INF), Gen John Galvin said the risk of weakened deterrents could be compensated for by the improvements sought by his controversial predecessor, Gen Bernard Rogers.

Gen Galvin said these "buttressing measures" included a new battlefield Lance nuclear-tipped missile, a new stand-off nuclear missile to be fired from aircraft at long range, and various conventional defence improvements.

He said there was only a "chronological" difference between himself and Gen Rogers who campaigned actively in recent months against the double zero INF agreement, eliminating missiles between 500km and 5,000km range. He took over from Gen Rogers as Supreme Allied Commander Europe (SACEUR) on June 26, a fortnight after Nato ministers had approved a double zero deal.

This Nato decision, said Gen Galvin, "gave me my marching orders." The question which Alliance political leaders now posed him was: "Since we want to go to double zero, can you still carry out your mission to defend Europe?" The basic answer was "Yes," Gen Galvin said.

But the US general, who commands the 326,000 US troops in Europe and those forces of



General Galvin: seeks 'buttressing measures'

other allies committed to Nato, said he still regretted the recent agreement by West Germany to let its 72 Pershing-1A missiles be included in an INF agreement in Moscow.

At his first press conference since becoming SACEUR, Gen Galvin surprised many with his firm endorsement of military policies espoused by Gen Rogers. The latter had angered the Reagan Administration by openly criticising its arms control stance in his last year of office.

While no more able than his predecessor to derail a double zero deal, Gen Galvin appeared to be focusing his efforts on spinning out the actual missile reduction. He said the reduction timetable which he had recently recommended to Nato leaders was in terms of "years rather than months." He also warned Nato to have a stand-off nuclear missile similar to the Cruise weapon, but said an INF treaty might preclude such a missile's development.

The new "buttressing measures" which Nato now needed could include annual transfer of an entire American army corps from the US for exercising in Europe, just as in the current Reforger exercises, the general said. This would depend partly on cost.

He openly congratulated Gen Sir Martin Farndale, the British commander of the Northern Army Group in Germany for the smooth operation so far of the exercise Certain Strike. For the first time since the second world war an entire US corps — the 35,000-strong Third Corps from Fort Hood in Texas — has come to Europe and for the first time it has been placed during a field exercise under non-US command, that of General Farndale.

Gen Galvin welcomed the presence of 32 observers from Warsaw Pact and other countries under the Conference of Disarmament in Europe agreement of last year. "Showing readiness to the other side enhanced deterrents and reduced the likelihood of war."

Earlier yesterday Warsaw Pact observers gently probed the veracity of Nato force information and the spontaneity of Nato exercising. In the village hall of Rodewald, in this exercise area north of Hanover, the commander of the first German Panzer division set out his day's plans to the observers.

Bulgarian delegation in UK to boost image

By Judy Dempsey in Vienna

BULGARIA'S Foreign Minister, Mr Petar Mladenov, arrives in Britain today on the start of the first official visit aimed at improving Bulgaria's bilateral relations as well as adopting a more outward-looking foreign policy.

Mr Mladenov, a close associate of Mr Todor Zhivkov, Bulgaria's President and Communist Party leader, will be accompanied by a large trade delegation which will concentrate on increasing trade relations between both countries as well as explaining the reforms which have recently taken place in Bulgaria.

Some of the reforms will give enterprises more rights to establish directly joint ventures with foreign companies. Western businessmen are hoping that this will lead to better trading opportunities with Bulgaria, 90 per cent of whose trade is with the Soviet Union and its partners in the CMEA trading bloc.

Part of the visit, however, will almost certainly focus on Bulgaria's image. Although a senior Foreign Ministry official in Sofia recently remarked that Bulgaria "had no need to improve its public image," Bulgarian officials, especially those in the trade ministry and in the media, realise that Bulgaria could do more in projecting a more relaxed image to the West.

In the case of relations with Britain, the death of Mr Georgi Markov, an emigré Bulgarian writer who was killed in London in 1978, apparently by a poisoned stab wound from an umbrella belonging to the Bulgarian state security, temporarily soured relations. Officials in Sofia regard the incident as closed and stress the better relations between London and Sofia.

"We have no cases of divided families and we have agreed to eliminate the double taxation system," says Mr Lyubin Gotsev, Deputy Foreign Minister.

Questions still remain concerning the Bulgarian Government's attitudes towards the Turkish minority. Officials in Sofia insist that "no Turkish minority exists."

These allegations have inhibited Bulgaria's foreign policy. But in the past two years a number of younger people have been promoted to the foreign ministry and to other government bodies.

OECD forum for disputes urged

BY PETER MONTAGNON, WORLD TRADE EDITOR

THE Organisation for Economic Co-operation and Development (OECD) should play a stronger role in resolving international disputes caused by the extraterritorial application of national laws to business activities, according to a study by the International Chambers of Commerce (ICC).

The study argues that the practice of applying national laws extraterritorially is "a major and growing problem for certain sectors of international business." It is edited by two lawyers, Mr Dieter Lange and Mr Gary Born, who have been respectively chairman and rapporteur of an ICC committee on the subject.

The OECD should be encouraged to consider establishing a forum for resolving extraterritorial disputes, the study says.

The recommendation comes at a time when the question of extraterritoriality has found renewed prominence with the dispute between Japan and the US over sales of sensitive machinery by a Toshiba group subsidiary to the Soviet Union. But this and other celebrated cases such as the US freeze of Iranian assets in Europe in 1980, the Laker Airways collapse and the dispute between the US and European governments over the Soviet Pipeline are only the tip of the iceberg.

The Extraterritorial Application of National Laws, edited by Dieter Lange and Gary Born, published jointly by Kluwer Law and Taxation Publishers and ICC Publishing. Available, price £16.95, from ICC (UK), Centrepoint, 103 New Oxford Street, London WC1A 1QB.

Dutch budget eases austerity

BY LAURA RAUN IN THE HAGUE

THE NETHERLANDS' centre-right government yesterday unveiled its 1988 budget, which calls for Fl 4bn (£1.9bn) in public spending cuts and Fl 1.35bn in tax reductions. It is the mildest fiscal plan since the administration took office in 1982, with less austerity and increased tax relief, although the budget deficit will still fall.

Mr H. Onno Ruding, the Finance Minister, presented the budget to parliament as part of the "prinsjesdag" ceremonies. "The policy remains directed towards reducing high public spending, by which the budget deficit as well as the tax-and-welfare premium burden can fall, and towards a strengthening of the economic structure," he said.

Prinsjesdag celebrates the opening of the parliamentary year and is marked by the presentation of the new budget, the official economic scenario for the coming year and the annual speech from the throne by the Queen.

Personal income taxes will be trimmed for the first time in seven years, leaving the average taxpayer with Fl 452 more in disposable income, and lowering labour costs. The tax cuts represent a turnaround for the hard-line Finance Minister, who until recently argued strenuously that any revenue windfalls should be used for shrinking the budget deficit.

The spending cuts are aimed at the same three areas that have come under the knife since the Christian Democrat-Liberal coalition gained power. Department budgets will be slashed by Fl 2.2bn, mostly to offset rising cost overruns in housing and education.

Civil servants' salaries will be pared by Fl 334m and welfare benefits by Fl 57m. Another Fl 1.44bn will be saved by postponing the payment of investment subsidies and the shift of public servants into the social security system.

An additional Fl 3bn in spending cuts already was planned under the coalition accord of 1986 so that total reductions amount to Fl 7bn. But expenditures are being raised by Fl 3.4bn, so that net reductions are Fl 4bn.

Mr Ruud Lubbers, the Prime Minister, brushed aside suggestions that his second administration was tiring and needed new initiatives to inspire fresh vigour for cleaning up public finances and reforming the welfare state. "We don't need to compose a new song," he

H. Onno Ruding: surprising turnaround

said confidently. "We are continuing the policies of the past and preparing for the coming years."

As a result of next year's expenditure curbs the central government's budget deficit will shrink by a modest 0.4 per centage points to 7.2 per cent of national income in 1988, just missing the government's target of 7 per cent.

Total expenditures will fall by 2 per cent to Fl 168bn while revenues will drop 9 per cent to Fl 144.4bn leaving the public sector borrowing requirement higher at 0.4 per cent of national income compared with 0.3 per cent this year.

The more moderate budget was fashioned to provide respite from years of severe austerity and because even tougher measures would require greater political support.

The official economic scenario for 1988 paints a picture of stagnating growth for the third year in a row and throws into some doubt the Government's macroeconomic goals for 190. The central plan bureau, the semi-independent forecasting agency, predicts that gross domestic product will plunge by a half to 1 per cent next year, well below the forecast European Community average of 2 per cent.

Exports, the main motor of this year's expansion, will taper off to 3.75 per cent growth in 1988 from 4.25 per cent in 1987, while consumer spending will drop to 1.75 per cent from 2.75 per cent. Business investment is forecast to fall to zero growth after spurting 4 per cent this year.

Polish church wins charity status fight

BY CHRISTOPHER BOBINSKI IN WARSAW

A POLISH church aid-to-agriculture committee has won a long-sought assurance from the authorities that it will be registered as a charitable foundation, according to Mr Witold Trzeciakowski, an economist who heads the group.

Until this summer the scheme, which dates back to the early months of martial law in 1982, was steadfastly resisted by the authorities. Plans then put forward by Polish churchmen spoke of channelling hundreds of millions of dollars worth of equipment financed by West European and North American governments to Poland's private farmers.

So far decisions on spending just over $2m have been taken: $80,000 from Australia is to be on sheep-shearing equipment and replacing fruit trees lost last winter. Another $2m from the EC budget is to equip a farm mechanisation department at a farming school run by the Church in southern Poland.

The US Congress has committed $10m and this will be spent on putting running water into farms and villages once the US agency for international development charged with monitoring how the aid is spent has approved the committee's plan.

● Forty-seven members of Freedom and Peace, a Polish pacifist group protesting against the imprisonment of two young Poles for refusing to do military service, have demanded the release of two other conscientious objectors, one from Hungary and the other from Czechoslovakia. The group is conducting a week-long fast in a church in Bydgoszcz in north-west Poland to publicise the fate of Mr Oskar Kacperek sentenced in July to two years in prison and Mr Piotr Rozycki who was given a two and a half year sentence last month.

The hunger strikers who started their protest on Sunday have also written to the Hungarian Ambassador in Poland to demand the release of Zsolt Keszthelyi who is serving a two and a half year sentence.

Chief Norwegian parties suffer local poll losses

BY KAREN FOSSLI IN OSLO

NORWAY'S ruling Labour Party and the Conservatives, the leading opposition party, suffered serious losses as the right-wing Progress Party made unprecedented gains in Monday's local elections.

Progress, led by Mr Carl I. Hagen, 43, secured more than 12 per cent of the vote to become Norway's third-largest party. This was a major victory for Progress, which won only 6 per cent of the vote in the last local elections four years ago, and 4 per cent in the 1985 parliamentary elections.

Norwegian voters showed their lack of confidence in the Labour government led by Prime Minister Mrs Gro Harlem Brundtland, but refused to lend support to the Conservatives under the leadership of Mr Rolf Presthus.

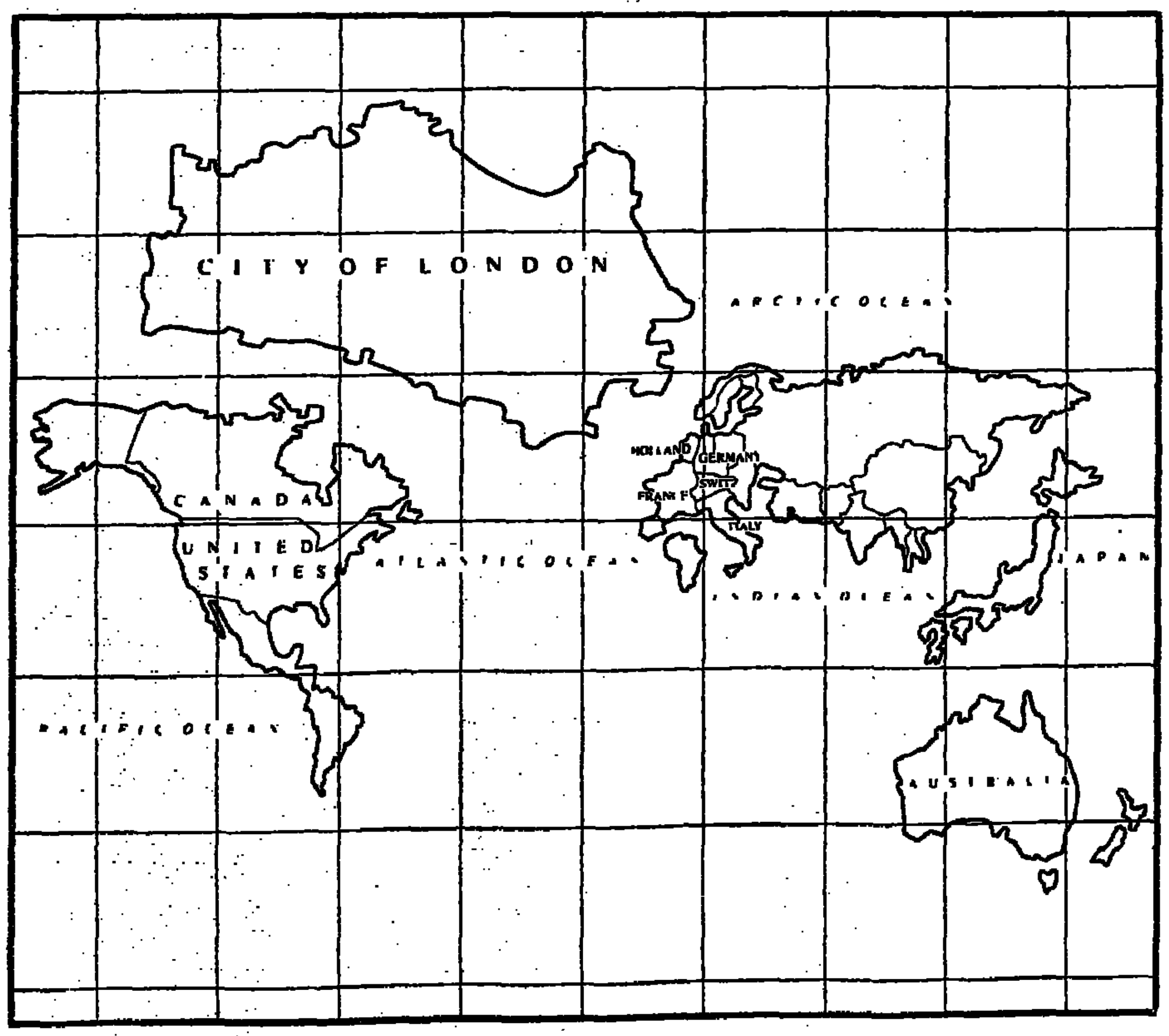
Labour achieved 36 per cent of the vote (down from 39 per cent in 1983 and 41 per cent in 1985), while the Conservatives fell to 23 per cent (down from 26 per cent in 1983 and 30 per cent in 1985).

The results are a psychological blow to the minority Labour government which was formed under Mrs Brundtland in May last year after the collapse of the Conservative-led three-party coalition government under Mr Kaare Willoch. He has now withdrawn from party politics to become a candidate for general secretary of Nato.

Under Mr Presthus' leadership, the Conservative coalition has floundered and early this summer failed in a bid to oust the minority Labour government, weakening its position along the way.

Mr Presthus' party may be forced to find a stronger leader and move rightwards in a bid to draw further away from Labour and the minor centre parties. Political observers doubt, however, that the Conservative-led coalition will rally strongly enough to make another attempt on the Labour government before the parliamentary elections due in two years.

Some fund managers have a distorted view of the investment market.



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OVERSEAS NEWS

UN chief's Gulf mission makes little progress

BY TONY WALKER IN BAGHDAD

MR JAVIER PEREZ de Cuellar, the UN Secretary-General, completed his four-day peace mission to Iran and Iraq yesterday after a UN official reported slight progress in discussions with Iranian leaders.

He appeared to have done little or nothing to ease the deadlock created by Iran's demand that Iraq should be branded as the aggressor as a precondition for observance of Resolution 598 adopted on July 20 stipulating an immediate end to the fighting, withdrawal to pre-war boundaries, and the establishment of a tribunal to look into the origins of the conflict.

A UN spokesman, briefing reporters late on Monday night, said: "There appears to be certain movement—not maybe enough." He would not go into details except there had been discussion between Mr Perez de Cuellar and Iranian leaders about the establishment of a tribunal to assess responsibility for starting the seven-year-old war.

Western diplomats in Baghdad say that talk about any progress is misleading if Iran has not expressed readiness to embrace Resolution 598 as a whole.

Iraqi leaders repeatedly emphasised in their talks with the UN Secretary-General that they could not accept a partial and qualified acceptance of the resolution by Tehran.

One said that, judging by public statements from Iran during and after Mr Perez de Cuellar's visit, there was no significant shift in the Iranian position that would give any cause for optimism. The Secretary-General seemed to have failed to achieve what he was mandated to do on his mission to the region — to secure from Iran a definitive response to the resolution.

So far Iran has said it neither accepts or rejects the resolution. It has merely said that it contains some positive elements.

Iraq, which quickly indicated that it would accept the resolution if Iran did so, is accusing Tehran of seeking to dismember the resolution to suit its own purposes.

The establishment of a committee of inquiry, either under UN auspices or under some other organisation such as the International Court of Justice, apparently had no attraction for the Iraqis unless it was accompanied by an immediate ceasefire and a return to pre-war borders.

Iraqi leaders, including President Saddam Hussein, asked the UN chief to press the Security Council for implementation of the second part of the resolution which provides for discussion about possible implementation of an arms embargo against whichever side refuses to abide by its terms.

Mr Perez de Cuellar is thought unlikely to make such a recommendation. Probably he will merely report to it on his mission.

The US has made it clear that if Mr Perez de Cuellar returns without a definitive answer from Iran then it would regard such a negative attitude as a rejection and propose discussion about an arms embargo. It is unclear whether Britain and France would follow suit although privately British officials have indicated diminishing patience with Iran's apparent delaying tactics.

The Soviet Union and China have shown little enthusiasm for an arms embargo. Moscow, which is trying to mend the fences with Tehran, is thought unlikely to jeopardise diplomatic progress made in discussions with the Iranians.

Mr Perez De Cuellar (left) with Mr Tariq Aziz, the Iraqi Foreign Minister, at Baghdad airport yesterday.

Bofors team in India to discuss bribe claims

By K. K. Sharma in New Delhi

A TEAM from Bofors, the Swedish armaments company, led by Mr Per Ove Morberg, its president, yesterday began talks with Indian Defence Ministry officials on the $1.4bn contract for the sale of howitzers which is the subject of a political storm in India following allegations that bribes were paid.

The visiting party is under pressure both from the government and opposition parties in India to reveal the names of people to whom payments have been made through illegal Swiss bank accounts. The talks are being held after a threat was made that India may cancel the contract if Bofors refuses to name names.

The storm has shaken the Government of Mr Rajiv Gandhi after Mr V. P. Singh, his former defence minister and now political foe, ordered an inquiry into the deal. Opposition parties have repeatedly alleged that people close to Mr Gandhi were recipients of kickbacks and some direct charges have been made against Mr Gandhi himself.

Mr Gandhi was forced to make a statement to parliament a few weeks ago to deny that he or any member of his family had received any "consideration" from Bofors. Nevertheless, despite the statement, Mr Gandhi's image of being "Mr Clean" has taken a hard knock.

A parliamentary committee has been formed to look into the contract and try to discover who, if anyone, was involved. But it is being boycotted by the main opposition parties on the ground that it is aimed at whitewashing the affair.

S African strike cost

Last month's three-week South African mine strike cost the industry the equivalent of $128m in lost gold production, according to figures released yesterday by the Chamber of Mines, Anthony Robinson reports

Output fell by 279,005 ounces (8.678 kgs) at an average gold price of $460 per ounce in August to 1,425,728 ounces compared with 1.704,733 ounces in July and 1.73m ounces in August 1986.

Victor Mallet on a gloomy economic future

Once poised to recover, Zambia loses its way

A YEAR ago Zambia looked poised for recovery, having adopted a wide-ranging economic reform programme endorsed by the International Monetary Fund and the World Bank. Today this central African country seems to have lost its way.

President Kenneth Kaunda kicked out the IMF in May, saying that its austerity measures were too harsh for Zambia's 7m inhabitants. However, he has failed, in the eyes of the Western donors who prop up the economy, to come up with any credible alternatives.

A slim yellow volume entitled New Economic Recovery Programme released last month has been greeted by the donors with coolness in public and scorn in private.

The donors describe the figures it contains variously as bogus, pie in the sky and a product of cloud-cuckoo land. They also complain that the final version dropped pragmatic measures contained in earlier drafts, including plans to privatise state industries.

Foreign aid money, much of which was previously channelled through the IMF-inspired foreign currency auction to pay for imports, is drying up. There are already shortages of staple foods and other basic products, including maize meal, bread, beer, and spare parts for vehicles.

The major donors, including Britain and the US, do not see why they should spend money on unclear and contradictory policies in Zambia when the cash could be used to support determined economic reforms in equally needy countries such as Tanzania and Mozambique.

According to Western diplomats Prime Minister Mr Kebby Musokotwane was greeted without enthusiasm in the capitals of Europe on his mission there last month to explain the new plan.

There are a few glimmers of hope. The price of copper, which earns about 90 per cent of the country's export receipts, has improved recently, and Dr Kaunda has dropped his plans for immediate sanctions against South Africa, giving Zambia's dependent economy a further breathing space.

Scandinavian countries, always generous in Africa, say they are willing to pay off some of Zambia's arrears to the World Bank provided Zambia also provides some funds. It has not yet done so.

Kebby Musokotwane: greeted without enthusiasm in Europe

Hitherto one of the most important sources of soft loans for Zambia, the World Bank, has stopped disbursing new money because of debt repayment arrears likely to reach more than $60m by the end of the year.

The IMF is owed about $300m in Zambian arrears and might soon formally declare the country ineligible for further loans, putting Zambia on its select list of international financial miscreants.

Contacts between the two sides are maintained. An IMF representative recently paid a quiet visit to Zambia and is said to have seen Dr Kaunda, although the President's hands are tied by his own announcement that Zambia will restrict debt service to less than 10 per cent of its export earnings.

When Dr Kaunda introduced the new recovery plan he told Zambians it was a programme not for prosperity but for austerity, similar but not as cruel as the earlier measures backed by the IMF.

To an outsider unfamiliar with Zambia's daunting economic difficulties, the plan's projections — covering the 18 months until the end of 1988— do not seem particularly optimistic.

Real growth in 1988 is put at 2.2 per cent, which, with a population growth rate of more than 3 per cent, means a continuing fall in living standards. The programme predicts that copper production will remain stagnant in the current financial year in spite of a drive to rehabilitate the state-controlled mining industry.

Many of the plan's assumptions are nevertheless thought by the donor agencies to be extraordinarily optimistic and based on dubious figures.

Agriculture, for instance, is one of the main components of gross domestic product. Production of the staple maize crop is shown rising steadily until 1989, in spite of the government's own announcements that this year's crop is likely to be poor and because of drought well below last year's.

Private investors are as discouraged as the donor governments by Zambia's financial confusion, and some businesses are likely to be hard hit by official attempts to promote "Zambianisation" and to reduce the number of expatriates working in the country.

Dr Kuanda meanwhile has become chairman of the Organisation of African Unity and will probably spend much of his time worrying about Chad instead of Zambia.

At home the government appears to be becoming increasingly authoritarian. Trade union leaders have had their passports withdrawn and vigilantes of the ruling United National Independence Party roam the streets enforcing price controls and other directives.

The black market is thriving on the shortages. Smuggling and game poaching are rife. The wars in Mozambique and Angola are spilling over Zambia's borders, and the disease AIDS is widespread. The future appears gloomy and there are fears that last year's food riots, which led to the break with the IMF, might be repeated.

Zambians too are critical. Central committee member Mr Daniel Lisulo was reported as saying recently in the Times of Zambia: "It is a fact to state that our government is in a state of degeneration or decay and the political situation in Zambia is deteriorating by the day with astonishing rapidity."

He warned: "The ordinary man in the street will not turn against the government because of political ideology as long as his stomach is full. But when political and economic theories and practices begin to affect his stomach adversely, then the problem begins."

Korean politicians closer to constitutional accord

BY MAGGIE FORD IN SEOUL

AGREEMENT ON constitutional change moved closer yesterday in South Korea as politicians in the ruling and opposition parties tried to devise a formula on the date for parliamentary elections.

The politicians have already agreed on amendments to the country's constitution and on presidential elections, which will be held in December. Once this final obstacle is removed, the way is open for the next step in the country's move towards democracy—a referendum on the changes. The move towards agreement coincides with the visit by Mr Roh Tae Woo, presidential candidate for the ruling Democratic Justice Party to the US, where he met President Ronald Reagan and Mr George Shultz, the Secretary of State.

In Seoul yesterday, Mr Shultz's deputy in charge of East Asian affairs, Dr Gaston Sigur, reiterated that Mr Roh's visit did not imply that the US supported him in the coming election.

Dr Sigur expressed his strong belief that the elected president will take power in South Korea next year, when President Chun Doo Hwan steps down in February.

Dr Sigur said he hoped Mr Roh's trip would not increase anti-American feeling in the country. Students and others are showing a growing resentment at what they see as US interference in South Korean affairs.

Sri Lanka to fly back expatriates in Lebanon

BY MERVYN DE SILVA IN COLOMBO

THE SRI LANKAN Government yesterday decided to ship back between 2,000 and 3,000 destitute Sri Lankans, mostly housemaids, from Lebanon following representations made by Mr Elias bou Sader, its honorary consul in Beirut, after talks with Mr Shahul Hameed, the Lebanese Foreign Minister.

Mr Sader told reporters that the sharp drop in the Lebanese pound had reduced the average monthly wage of about 30,000 Sri Lankans working in Lebanon to less than $10. Housemaids, the worst affected category, received about $6.

Victims of unscrupulous employers and employment agencies, both in Colombo and Beirut, Mr Sader said the women had been refused the return air fare they were entitled to under contracts signed in Colombo. More than a dozen women had to be hospitalised for psychiatric treatment, he said, and several had tried to commit suicide.

Mr Sader has persuaded the Sri Lankan Foreign Ministry to intervene with the Labour Ministry and stop all recruitment by Colombo employment agencies unless a contract had been approved by the consulate in Beirut. Sri Lanka housemaids have been so popular in the Middle East that Air Lanka once had a weekly flight widely known as the "special ayah (housemaid) flight" to Beirut.

AMERICAN NEWS

US, Moscow sign nuclear risk agreement

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

THE SIGNING yesterday of the nuclear risk reduction centre agreement by Mr George Shultz, US Secretary of State, and Mr Eduard Shevardnadze, the Soviet Foreign Minister, represents the first stage in the creation of a communication channel between Washington and Moscow designed to reduce the risk of nuclear war as a result of miscalculations or misunderstandings.

It also represents the successful culmination of an initiative launched originally by two Capitol Hill experts on defence issues, Senator John Warner, a former Secretary of the Navy in the Nixon Administration, and Democratic Senator Sam Nunn.

The agreement is less far reaching than some advocates of the proposal had hoped. Mr Michael Krepon, an arms control expert at the Carnegie Endowment for International Peace, described it yesterday as "extremely modest."

But as Senator Nunn said after the accord was signed, "the agreement provides a meaningful role for the centres in their initial phase of operations. As we and the Soviets gain experience in operating the centres I would expect (them) to take on additional functions, especially in the area of preventing nuclear terrorism."

In essence the agreement builds on the existing crisis management link between the two superpower capitals, the so-called Hotline which allows the Soviet and US leaders to communicate in a crisis.

The Hotline was established in 1963 after the Cuba crisis and upgraded in 1984.

The nuclear risk reduction centres will be established in Washington and Moscow, would maintain a 24-hour watch on any events with the potential to lead to nuclear incidents.

They would be linked by communications equipment equivalent to the upgraded Hotline and staffed by nationals of the country in which the centre is located. A proposal for joint staff was rejected although designated liasion officers from each embassy would be given access on periodically.

The centres would serve communications links for such things as advance notice of missile tests and military exercises, data exchanges and reporting detonations of nuclear missiles.

They could provide a notification system for such events as routine multiple missile firings or practice bomber runs which both sides find disturbing, according to Mr Krepon.

It is also expected that the centres would provide a meeting place for sessions under the 1972 Incidents at Sea Treaty which provides for the exchange of information on incidents arising for example in the course of naval manoeuvres.

US current account deficit hits record

By Stewart Fleming

THE US current account deficit in the second quarter hit a record of $41.1bn, compared with $36.8bn in the first quarter, underscoring the challenge facing the US as it seeks to reduce its dependence on foreign capital.

For the first half of the current account deficit is running some $11bn ahead of the level recorded in 1986. For the whole of 1986 the deficit was $141bn.

Yesterday's report from the Commerce Department indicated that the trade deficit rose to $39.5bn from $38.7bn. Service receipts declined from $5.1bn to $1.3bn.

The current account provides the broadest measure of US trade by including service and financial transactions.

Last week the Commerce Department reported that the narrower merchandise trade deficit hit a record $16.5bn in July, up from $15.7bn in June.

The failure of the nominal trade deficit to improve, even though the trade picture in volume terms is getting better, is worrying the Reagan Administration.

The White House fears that it will strengthen the hands of protectionists on Capitol Hill in the debate on the trade bill.

On Monday Mr James Baker, the US Treasury Secretary, launched a sharp attack on protectionist proposals in the trade law.

Mr Baker, answering questions at a conference on trade policy at the Institute for International Economics in Washington, also hinted strongly that Washington will press West Germany to take new action to stimulate its economic growth at next week's meetings of industrial country finance ministers in Washington.

Mr Baker, discussing efforts to improve economic policy co-ordination, said that a new surveillance system for monitoring the economic performance of the industrial countries "did pick up the decline in (West) German growth."

Ford champions Bork in Supreme Court hearings

BY LIONEL BARBER IN WASHINGTON

UNDER the bright lights of the US Senate Caucus Room, scene of this summer's Iran-Contra hearings, the Senate Judiciary Committee yesterday opened televised hearings into the nomination of Judge Robert Bork to the US Supreme Court.

The Bork nomination battle has turned into a no-expenses-barred struggle between Left and Righ. The Right argues he would tilt the court in favour of conservatives, threatening its liberal post-war record on abortion, women's rights and civil liberties.

The day began with Senator Joseph Biden, the Democrat presidential candidate who chairs the Judiciary committee, introducing Judge Bork's first backer, former Republic President Gerald Ford. It was the first time a former President has acted in such a role and a sign of the high political stakes in the hearings, which are expected to last three weeks with corresponding front page press coverage.

President Ford, whom Judge Bork served as Solicitor General in 1974-76, declared that the former Yale law professor was perhaps the best qualified nominee to the Supreme Court for 50 years.

He then turned briefly to a main source criticism from opponents: Judge Bork's role in sacking the Watergate special prosecutor Professor Archibald Cox. At that time, both the Attorney General and his deputy at the Justice Department had refused to comply with President Richard Nixon's order, and so the execution fell to Judge Bork who was then the number three in the Department.

President Ford said Judge Bork "acted with integrity to preserve the continuity of both the Justice Department and the special prosecutor's investigation. I think in retrospect that history has shown that his performance was in the nation's interest."

But Senator Edward Kennedy, the leading Democrat who is on the committee, offered a blistering reply, declaring that Judge Bork was unfit to serve on the highest court in the land.

Citing Judge Bork's extensive writings on minority rights and civil liberties, Senator Kennedy said the 60-year-old scholar had shown extraordinarily extreme and biased opinions. American blacks and women were second class citizens according to Judge Bork, Senator Kennedy claimed.

Throughout the verbal onslaught, Judge Bork, accompanied by his family, sat impassively. White House backers predict he will be his own strongest advocate when he gives testimony to the committee. This is expected shortly.

For the opening morning session, however, the air-time was reserved for senators, most of whom did their best to emulate the speechifying of the House and Senate joint committee investigating the Iran-Contra affair. As Senator Robert Dole, a Bork backer who is running for the Republican presidential nomination, said: "We all know 1988 is next year."

Ford workers in US extend strike deadline

By Our Foreign Staff

The United Auto Workers has extended the deadline for reaching an agreement with Ford on a new three-year contract, suggesting that an amicable deal may be within sight.

Any agreement between the UAW and Ford will put immediate pressure on General Motors to offer the same terms. It could have even more important repercussions throughout the US economy—as a pointers to the trend of US wage increases over the next few years. Meanwhile, at Chrysler Canada, a strike by 10,000 workers in Ontario has hit production at the parent company's US plant. One Chrysler plant in Illinois is threatened with shutdown today because of shortages of parts from Canada. The strike has also closed two van plants at Windsor, Ontario.

At Ford, the UAW's decision to stay at work without a formal contract was announced less than an hour before the last agreement's expiry at midnight on Monday.

Negotiators from both sides, however, indicated yesterday that there were still substantial areas of disagreement. Mr Owen Bieber, the UAW's president and chief negotiator, said he was aiming for an agreement by the time a council of Ford union officials meets in Detroit on Friday.

The implication seemed to be that the day-to-day extension of the contract would last until then, but that strikes might be called if there were no agreement by Friday.

Robert Graham on a study of employment prospects in Latin America

Debt crisis swells informal economy

THE DEBT crisis in Latin America has led to a sharp increase in the importance of the "parallel" or informal economy, the principal source of new urban employment in the region since 1980, according to a special study just published by the Inter-American Development Bank.

The study, incorporated into the IADB's annual report on Economic and Social Progress in Latin America, is one of the first attempts to analyse the impact on employment and job prospects of the five-year-old debt crisis.

It defines the informal sector as "self-employed workers (excluding professionals), non-remunerated household workers and domestic workers" plus those who work in "microenterprises and whose compensation takes the form of wages or payment by work done."

The study paints a gloomy picture of rising unemployment not only among unskilled workers but also for the first time in many years among those with higher education and professional skills.

The increasing importance of the parallel economies is hard to quantify with precision since the kinds of activities covered, such as street vendors or "informal" workers in the construction sector, fall outside official statistics.

Nevertheless, a number of efforts have been made, most notably via the International Labour Office's Regional Employment Programme for Latin America and the Caribbean.

Despite being circumspect, the study has no hesitation in its conclusion: "... A consensus generally exists that the importance of (the informal) sector is increasing in the region and that it is imperative to design strategies, sometimes on an ad hoc basis, to improve the situation of the workforce concerned and in some way to incorporate or re-incorporate it into the formal economy."

DISTRIBUTION OF URBAN LABOUR FORCE 1980, 1985 (per cent)

	1980	1985
Non-agricultural	100.0	100.0
Unemployed	6.4	7.5
Employed	93.6	92.5
Modern sector	71.0	68.0
Large and medium-sized enterpises	42.0	37.0
Public service	23.0	24.0
Smal business	6.0	7.0
Informal sector	29.0	32.0

Source: IADB

According to PREALC, at the onset of the debt crisis some 30 per cent of the active population in urban areas was involved in informal work

One calculation cited by the study reckons that between 1980 and 1985 5m jobs were created in the informal sector while the modern sector "showed hardly any net creation of jobs."

Peru is generally acknowledged as having the largest informal economy. Some estimates put 60 per cent of the urban workforce of Peru in the informal sector. This is partly explained by the huge influx of persons from rural areas, especially to Lima, where they can find no formal employment and are forced into the informal sector to survive. Lima indeed has whole shanty town suburbs which depend entirely on the parallel economy that is fed in part by money from the illegal drugs trade.

Other countries cited with large informal urban economies are the Dominican Republic (50 per cent), Ecuador (48), Venezuela (44), Brazil (in Sao Paolo 43 per cent but 24 per cent in Rio de Janeiro), Mexico (42), Chile (39) and Argentina (38).

Thus it is more frequently the cities of the most advanced economies, that contain the highest percentage of the active workforce engaged in the informal sector. This is likely to continue so long as the urban workforce continues to grow at almost twice the rate of the labour force as a whole.

Traditionally the informal sector has been composed almost exclusively of people with little educational background. However, the austerity that has been forced upon countries dealing with the heavy burden of debt service has produced a much faster increase in the number of unemployed among those with a high level of education.

The main explanation for this faster increase is that the public sector has traditionally been the chief employer of educated workers; but with budget cuts this employment has been either static or has fallen.

"This has tended to close an important escape valve for professionals and technicians who cannot find a place for themselves in the modern private sector. This has obviously been instrumental in expanding the informal sector in the broadest sense, as reflected in the burgeoning numbers of 'self-employed' (e.g. Argentina, Chile, Brazil and Mexico)."

While the increase in the size of the informal economy in individual Latin American countries has almost certainly helped ease the effects of recession, average incomes have fallen during the debt crisis.

This suggests that either national accounts do not fully state the impact of the informal economy on incomes or, what is more likely, that the informal sector generates meagre income. Only three countries had a higher per capita income in 1986 than in 1980 — Brazil Colombia and Panama. More than 40 per cent of the Latin American urban population have incomes below the poverty line.

The study concludes that declining rates of population growth, now down to 2.3 per cent a year for the region, will have an impact on the labour market, making it more manageable and smaller; but not until the year 2000.

One of the most urgent matters to be addressed, it says, concerns, education and the skilled labour force. "... The relative increase in the skilled labour force, particularly in the urban areas, poses a new challenge that will not soon disappear."

Medicare costs may rise

BY NANCY DUNNE IN WASHINGTON

The Reagan Administration is considering a proposal to raise by 38.5 per cent the cost of premiums paid by 31m elderly and disabled Americans covered by the Government's Medicare programme, according to a US newspaper report yesterday.

The increase, the largest in the programme's 27-year history, is needed to pay for the soaring cost of health care in the US.

Currently, Medicare beneficiaries pay $17.90 a month for cover which does not completely pay medical bills. The Administration is expected to propose an increase to $24.80 a month.

Administration officials have sought to limit the rising cost of physicians' fees by refusing to pay those it considers too high.

The man who is ringing the changes

New technology, new products and new competition convinced Richard Reynolds that he had to change GEC Telecommunications into almost a new company, against a background of falling prices and profits and rising risks. In an interview with Robert Heller he tells how, told to "get on and do it" – he did.

FEW businesses have been through greater or more visible turmoil – in technology, economics or markets – than telecommunications in the Eighties. In 1982, when Richard Reynolds returned to GEC Telecommunications as managing director, he put down on paper his vision of five years in which a spate of new technology would dramatically reduce product costs, new and exciting products would multiply in unprecedented profusion, and protected, secure markets would become wide open. Yet what Reynolds painted was not a happy picture.

The opportunities have been abundant, but at a price: or rather, at too low a price. The once humble telephone is an example. It was once a £50 instrument, and black.

Now it costs £12 and comes in infinite variety – and from a great variety of suppliers. Their intense competition has only added to the economic pressures exerted by technology-led price falls.

That phenomenon has been repeated right across the communications spectrum. Reynolds points to the amazing powers of optical fibre, in which GEC is a world leader: using optical fibre, thousands of calls can be transmitted where only a few could be carried before.

"GEC competes every quarter for its BT orders."

"It's a growth market," he says, "but it replaces at a value X something at a value Y, where Y is five times X." The economic fallout from the technological Big Bang has rained down at a time when, anyway, British telecommunications was in upheaval.

FROM 1960, when Reynolds joined the company as a graduate apprentice from Cambridge, to 1982, the year of his return to its Coventry base, GEC Telecommunications enjoyed the fruits of a unique market. The nationalised monopoly customer and its few suppliers had lived and worked in a close environment which, as Reynolds says, "didn't need people who had hard selling experience."

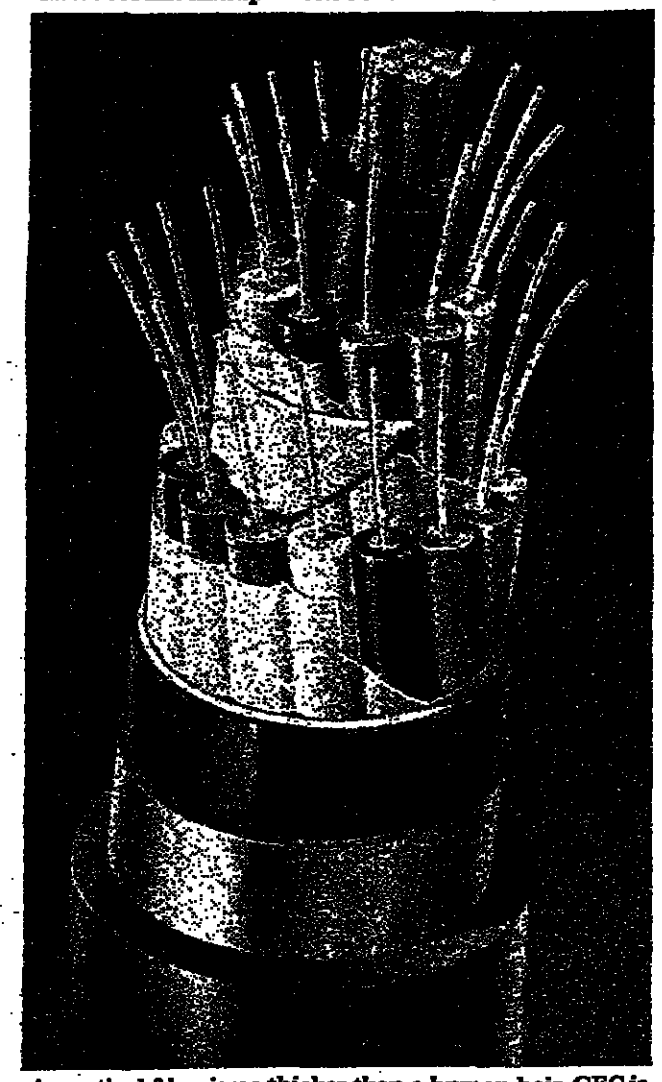
Companies became engineering-led, in-bred and insular – and inevitably so: "Dinosaurs were dinosaurs," says Reynolds. "It wasn't their bloody fault." Today the British Telecom monopoly has gone in principle, and the closeness has gone in practice.

In one respect, the basic UK business in "central office systems" (main telephone exchanges) has never been better. A privatised BT is modernising the network at a "helluva speed" in a programme that leads the world.

Orders from the rival Mercury network have added to GEC's domestic business: "Mercury has been smashing for us." What's being ordered, too, is (at long last) saleable on the world market where for many years Britain had no real presence: with the System X electronic exchange, "we have the product and technology to have a go."

The problem is not the product, but the profits. There's world-wide over-capacity: "Everybody's got factories to fill." BT has taken full advantage of the consequent scramble to get what Reynolds describes as "wonderful value for money. It's buying cheaper than anybody, certainly in Europe."

"BT upset us by buying all this stuff from, of all places, Sweden" remarks Reynolds. But the Swedish deal, together with BT's plans to manufacture on its own account and spend £160 million on research and

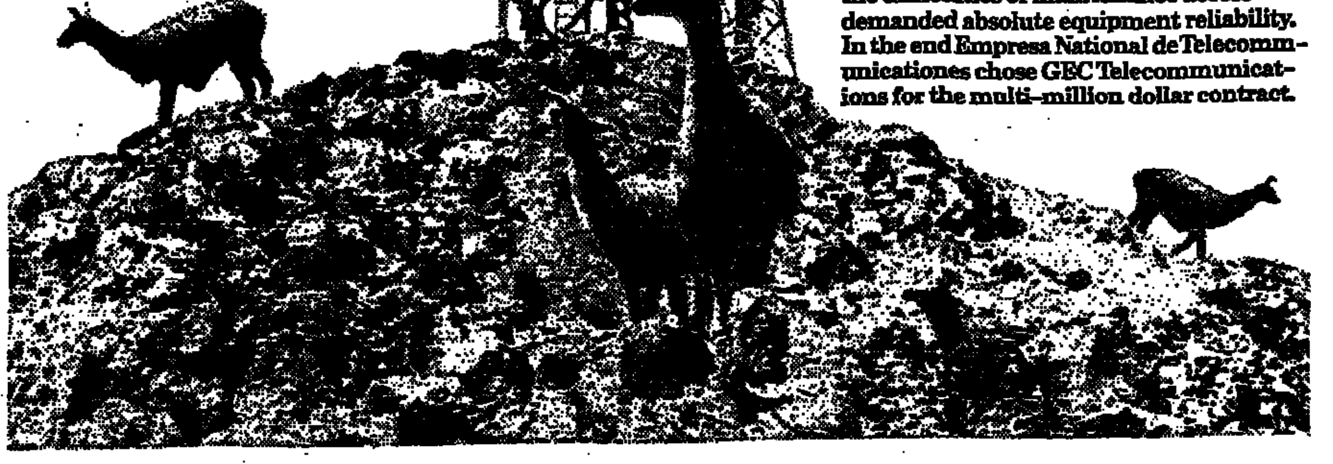


An optical fibre is no thicker than a human hair. GEC is currently developing a system with a speed of over 2,000 million 'bits' of information per second, the equivalent of 32,000 simultaneous telephone conversations.

development, only emphasise Reynolds' need to "achieve dramatic successes in UK and export markets" with a host of other products involving high risk, dynamic marketing, and heavy investment in "private ventures."

For all that, the importance of BT to GEC is paramount. "We're not so dependent as we were" says Reynolds, but BT still represents 70% of sales.

Here too, the security has gone. GEC competes every quarter for its BT orders, and the £30 million a year being spent on development and marketing of System X is as speculative as most other projects.



One of the highest microwave-radio stations in the world, at Copacabana in the Bolivian Andes. Extremes of climate and the difficulties of maintenance access demanded absolute equipment reliability. In the end Empresa National de Telecommunicationes chose GEC Telecommunications for the multi-million dollar contract.

Richard Reynolds, Managing Director of GEC Telecommunications Ltd. *Photography by Terry O'Neill.*

A switching system is in itself "a virility symbol" in the telecom industry. Without central office systems, it's much harder to carry conviction in the world markets that GEC must crack. It may not make overwhelming sense for Plessey and GEC to have 2,000 "prime electronics and software engineers" working away on System X: but there's no present alternative.

THERE will, though, have to be some different resolution of the curious situation in which System X is jointly developed, owned and made by the two competitors. GEC's bid for Plessey would have settled the problem, but failed.

Other strategic issues have been resolved. For example, it is accepted that BT, the all-important customer, is a tooth-and-nail competitor in the supply of private branch exchanges (PABXs) and telephones and, vice versa, that GEC intends to seek opportunities as a network operator.

Thus Reynolds plans to invest heavily in the national mobile radio network, which, at the price of some heavy negative cash flows as it builds up, promises "amazing returns in 2001."

Reynolds describes this venture ("venture" being the operative word) as "very un-GEC like" in its risk profile. Equally, he is now "having a go" at the mobile telephone market – a "large, speculative business of considerable risk."

In PABXs GEC struck a "very good and mutually beneficial" licensing deal with the Canadian giant, Northern Telecom. But, in consequence, GEC's market position is not as strong as Reynolds would like: so does he stick or twist – "having a go"?

As for network systems in Britain, meaning cable TV, another GEC involvement, "there isn't anything riskier than that."

Right across the range, Reynolds is thus deeply involved in risk. He is not, however, averse to that, either corporately or personally. He has twice left GEC for other employers – first for Plessey, working in South Africa as a young man, and more recently for a totally different industry, as group managing director of Grundy, best known for its metal beer barrels.

The experience outside GEC, and the relatively protected world of the old monopoly, must have helped Reynolds to manage the painful transition in telecommunications from security to risk, from manufacturing to marketing – "what obsesses everybody now is getting orders.

We don't have the same worries which we used to, as to how to make the stuff": The new technology has changed the scale of this problem.

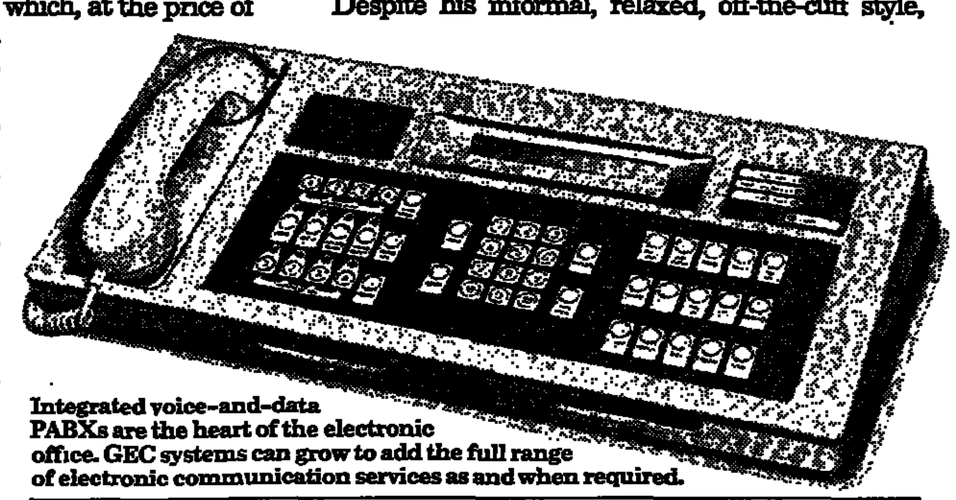
The transition has been staggering. In 1968, when GEC and AEI combined, the labour force numbered 34,000. Last year, 12,000 people produced three times as much – a ninefold expansion in *per capita* output. But the accompanying fall in prices meant that, last year, while physical output doubled, sterling sales were static – just as Reynolds had predicted to Lord Weinstock a month or so after returning to GEC from his stint with Grundy.

"What obsesses everybody now is getting orders."

"People say I can only stand GEC in six-year doses," he says wryly: but Reynolds has only praise for the way GEC received the bad news – "they took it almost without batting an eyelid."

"All right," he was told, "get on and do it." The "it" refers to the whole massive swing of emphasis, the contraction of employment, the heavy spending on new technology, the risk-laden diversification into new private ventures, the thrust into world markets, the change of managers' attitudes to outright commercialism.

Despite his informal, relaxed, off-the-cuff style,



Integrated voice-and-data PABXs are the heart of the electronic office. GEC systems can grow to add the full range of electronic communication services as and when required.

Reynolds at 48 can't conceal the personal stimulation that comes from managing a business that "isn't the same as it was three or four years ago," and that is running for dear life to stay in a hotly competitive race. There is a theory that the telecommunications Olympics will end with only a few competitors crossing the line.

"Last year, 12,000 people produced three times as much as 34,000 in 1968."

Reynolds is sceptical about that, although he notes that two or three major groups – in Japan as well as Europe – have already retreated from the public exchange industry, with all the attendant risk to their entire business in telecommunications.

That was, and is, one risk which Reynolds emphatically knew GEC should not and would not take.

He is totally clear about his reason: "We believe in our own competence."

Robert Heller is Editorial Consultant to Management Today.

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Britain's largest manufacturing employer.

Dunlop joins US group in Airbus contract bid

By Michael Donne, Aerospace Correspondent

DUNLOP AEROSPACE of the UK and Allied-Signal Aerospace of the US are joining forces to bid for the prospective multi-million pound contract to make wheels and carbon brakes for the proposed new Airbus A-330 and A-340 airliners.

The two groups' respective wheel and brake divisions, Dunlop Aviation Division and Bendix Aircraft Brake and Strut Division, will face another combined bid, from Messier and Goodrich. The Airbus contract will cover several hundred aircraft through to the end of the century.

Hitherto Bendix has been one of Dunlop's main competitors in the specialised field of aircraft braking technology. The move to combine forces is indicative of the changes now taking place in the aerospace market, with intensifying competition to supply specialist equipment.

Dunlop's carbon brakes are in service on such airliners as Concorde, the British Aerospace 146 and the Boeing 757, while Bendix's brakes are in service on the Boeing 767-300 and have been selected for the new McDonnell Douglas MD-11.

The two organisations will jointly design a new type of wheel and carbon brake system for the A-330 and A-340

The A-330 is a twin-engined airliner for short-to-medium high-density air routes. The A-340 is a four-engined airliner for long-haul non-stop flights of about 8,000 kilometres.

Textile legislation 'could cost US $20bn a year'

PROTECTIONIST textile and apparel legislation, now moving through congress, will, if passed, grow increasingly expensive and cost US consumers $20bn a year by 1996, according to a report released yesterday by the Institute for International Economics, writes Nancy Dunne from Washington.

The report, written by Mr William Cline, a senior fellow at the institute, follows the release of new figures showing a continuing but smaller rise in the US textile and apparel trade deficit between January and July. The figures will be used in the coming House debate over the textile bill.

The American Textile Manufacturers Institute said last week that the deficit for the seven months increased 21.4 per cent over the same period in 1986 and accounted for 15 per cent of the $98bn US merchandise trade deficit through July.

"The Reagan Administration claims it is acting to slow imports growth, but each month more and more new suppliers emerge to gain a piece of our market," Mr Robert Laidlaw, the textile institute's president said. "In June, it was the Soviet Union. In July, it was Iran."

According to the IIE report, current quotas on tex- and apparell are already costing US consumers at least $20bn a year—or $100,000 for each job saved in the industries.

Mr Cline not only opposes new restrictions, but he proposes a 10 to 17-year phase-out of current restrictions at a rate he said would be less than normal attrition rates.

He recommends an auctioning of quota rights to importing countries by the US Government—an idea discussed with increasing frequency among Democrats. The proceeds will be used for worker adjustment assistance.

To promote market openings in Europe and Japan, Mr Cline would liberalise imports for countries which agree to open their own markets. The resulting arrangement for open trade could provide a significant thrust to the round of multilateral trade negotiations in Geneva, the report says.

Another IIE report released yesterday on agriculture trade, written by Mr Dale Hathaway, former US agriculture under-secretary, warns that failure to find a solution for rules in farm trade could destroy the entire Uruguay Round.

It concludes that an attempt to phase out all farm subsidies will fail because of the political strength of the highly protected farmers, but calls, instead, for liberalisation with protection of some domestic markets.

Nancy Dunne on legislation which has become a battleground for influence and power

US trade bill delayed in the Congress

CUMBERSOME AND complex legislation may well delay the final draft of the completed US trade bill until December. The press of congressional business is so heavy, that the staff there has yet to complete the side-by-side chart of the two versions of this far-reaching legislation ordered for the end of August.

After months of hearings and weeks of debate, the 1987 trade bill is held up before its arrival in the House-Senate conference committee. In this forum, members are to fashion final legislation from the massive, largely differing, bills which the two houses passed.

The House will be represented in the conference by more than 130 members, drawn from 12 committees which have jurisdiction over some parts of the bill. Thirty-seven have already been named—the chairman and the most senior Republican and Democratic members of each committee.

Other conference members, generally those whose interests are closely connected with the bill, are to be chosen by Mr Jim Wright, the House Speaker, in consultation with individual chairmen. Since the final bill may have to be largely re-written, the negotiating table is the centre of power and the competition for places there is fierce.

In the Senate, 55 of the total of 100 members will serve on the committee. Conference committees are rarely as large as this one, but there have been larger ones in the past, according to a Senate librarian. The Deficit Reduction Act of 1985 involved every committee in congress and even more members than the trade bill conference, he said.

The committee will be broken down into several subconferences. Should these be unable to resolve the more controversial issues, then the congressional leadership may move in to help out. This will give additional sway to Senator Robert Byrd, the Senate majority leader, and Mr Wright.

While the Congress is still organising itself for the final push on the bills, the administration is also gettin grε ily. Officials have drawn up a list of 70 objections to the bill, dividing them into three tiers of concern. The top tier will contain what some have called the "red-button" provisions, triggering a veto.

Administration officials have, on occassion, described many measures as "veto bait" including one in the Senate bill which would force employers to give 60 days' notice of plant closings and another in the House bill which would require foreigners with "significant" business and real estate holdings to register with the Commerce Department.

Members of the top-level economic policy council will work with the conference — Mr Clayton Yeutter, the US trade representative, with the House Ways and Means Committee and the Senate Finance Committee on Trade Law Provisions, and Mr James Baker, the Treasury Secretary, will oversee banking and investment issues.

James Baker: will oversee financial issues

Mr Richard Lyng, the Agriculture Secretary, will watch over the agriculture sections, and Mr Bill Brock will negotiate labour provisions and Commerce Department concerns until Mr C. William Verity is installed as Commerce Secretary.

As the various sides prepare for battle, the possibilities of passage, or if necessary overriding a veto, are as murky as ever. The administration hopes to get the most objectionable provisions deleted—particularly those which would weaken the president's authority to decide what import-injured industries need protection.

The most recent trade figures, showing a record $16.5bn deficit for July, are by no means likely to dampen protectionist measures. But the administration dearly wants the authority, contained in the bill, to conduct the new round of international trade negotiations.

Mr Yeutter has gone out of his way to praise some sections of the bill. Clearly, the administration, after its loss of the Senate and Irangate, is in its weakest bargaining position yet.

Plan by Johnson Matthey for Belgian plant

BY JOHN GRIFFITHS

JOHNSON MATTHEY of the UK is to spend "tens of millions" of pounds on a plant to produce up to 4.5m vehicle exhaust catalysts a year in Belgium and on an emissions technology centre in the UK.

The Belgian plant, next to an existing Johnson Matthey site making non-motor industry products at Brussels-Evere, is scheduled to come on stream at the end of next year. Initial output is expected to be 1.5m units a year.

Theoretically, this would be immediately after the first phase of an EEC Draft Directive on exhaust emission standards comes into force on October 1, requiring all new model cars of over 2 litres to be fitted with catalysts.

However, the draft directive, first agreed at Commission level in 1985 after years of wrangling, remains unimplemented.

The subject is to be aired again in the European Parliament later this month, and with hopes now fairly high that the way will be cleared at last for legislation to be put into effect.

Under the standards set out in the directive, cars of under 1.4 litres would be likely to escape using catalysts in favour of "lean-burn" engines.

The entire industry accepts that catalysts will be needed on all cars of over 2 litres, but a spokesman for Johnson Matthey yesterday refused to forecast the likely level of demand for catalysts on the 11m to 12m new cars sold in western Europe each year.

The uncertainty over whether further amendments to the standards may yet be made is responsible for Johnson Matthey taking a "very flexible" approach to production at the new plant.

However, the company appears now to be discounting speculation that the European Parliament might throw the entire issue back into the melting pot by advocating a move to strict US standards instead. This would require cars of all sizes to be fitted with Catalysts.

The Brussels plant will lift Johnson Matthey's European autocatalyst capacity to 6m units a year. It also has a plant at Royston in the UK with a capacity of 1.5m units a year, although currently this is not fully utilised.

Royston is also expected to be the site of the technology centre, construction of which is expected to follow completion of the Brussels plant.

Alsthom faces claim over China engines

BY PAUL BETTS IN PARIS

Alsthom, which heads a con- engineering group controlled by Compagnie General d'Electricite (CGE), is facing litigation with Peking over its FFr 2.5bn landmark contract to supply 300 railway engines to China.

ALSTHOM, which heads a consortium of leading European engineering groups including Siemens, AEG, Brown Boveri and AEC of Belgium to supply the railway engines to China, has so far supplied 128 locomotives to Peking.

However, China claimed there were technical defects in the equipment supplied. These technical difficulties have now been resolved, Alsthom said yesterday.

But the delivery of a second consignment of 165 engines continues to be blocked by the Chinese who are understood to be seeking compensation from the consortium led by Alsthom. The French group has a 65 per cent share of the contract—the largest ever single export order for railway engines—signed in March, 1985.

While the technical problems have been resolved, Alsthom acknowledged yesterday that there were still outstanding financial differences between the two parties. The total involved in the penalty clauses of the contract amount to FFr 300m or 8 per cent of the overall value of the deal.

However, the litigation is not expected to involve all the penalty clauses. Moreover, Alsthom claims that the Chinese were also in part responsible for some of the technical problems encountered by the first consignment of 128 locomotives. It added that all these engines were now operational in China.

DAF turned down Japan co-operation

By Kenneth Gooding, Motor Industry Correspondent

DAF TRUCKS of the Netherlands rejected a joint venture deal to sell Mitsubishi vans and light trucks in Europe and chose instead to use vehicles supplied by Leyland from the UK.

This was revealed yesterday by Mr Aart van der Padt, chairman of Daf, as he added his voice to the growing chorus of protest from the European commercial vehicle industry about a potential van deal between Daimler-Benz, West Germany's biggest automotive group, and Mitsubishi of Japan.

He said not only had Daf believed it was preferable for European companies to work together but the Leyland Roadrunner light trucks and Freight Rover Sherpar vans had proved to be the better vehicles in extensive testing by its company.

After arranging the distribution deal last year Daf went on to acquire Leyland and the Freight Rover from the UK's state-owned Rover group which retained a 40 per cent shareholding in the enlarged Daf company.

EC may act on S Korea patents

By Quentin Peel in Brussels

EUROPEAN COMMUNITY foreign ministers have agreed to consider retaliatory action against South Korea if it refuses to give European exporters the same patent protection it offers to US manufacturers.

Measures under consideration in the European Commission include withdrawing the import duty concessions granted to South Korea under the Generalised System of Preferences (GSP). Such a move would be unprecedented as a trade weapon used by the Community.

US boycotts commodity compensation scheme

BY WILLIAM DULLFORCE IN GENEVA

THE US is boycotting a renewed attempt by the United Nations Conference on Development and Trade to secure greater compensation for poor countries hit by shortfalls in earnings from commodity exports.

Washington does not accept that Unctad has a mandate to study compensatory financing, although in July at Unctad's seventh session about 150 governments instructed a group of experts to make recommendations.

Deficiencies in export earnings on non-fuel commodities by developing countries totalled $14.9bn annually in 1980-84, according to an analysis prepared by the Unctad secretariat for the experts who are meeting in Geneva this week.

This estimate is based on a 10-year exponential trend, one of four methods devised for calculating the shortfalls. Under another, using a five-year geometric average, the shortfalls came to $3.5bn a year.

In comparison, compensatory finance available to developing countries during the period was only about $1.5bn annually. The two principal sources were the Compensatory Financing Facility of the International Monetary Fund and the Stabex scheme operated by the European Community in favour of countries belonging to the Lome convention.

A large proportion of this finance went to countries with gross domestic products of more than $1,500 a head. Countries in the $500-$1,500 GDP per paita range accounted for half the total shortfalls but received only 30 per cent of the compensation.

Spelling out the case for a new facility, Mr Colin Greenhill of the Unctad commodities division, pointed out that the IMF funds were linked to medium-term balance-of-payment support for a relatively small number of countries. Recently, repayments to the fund have exceeded new drawings.

Stabex was a small facility limited to a few countries and applied only to selected farm commodities, Mr Greenhill said.

As much as 85 per cent of the 40 least-developed countries' export earnings are taken up with food and fuel imports and debt servicing, according to the Unctad secretariat's analysis.

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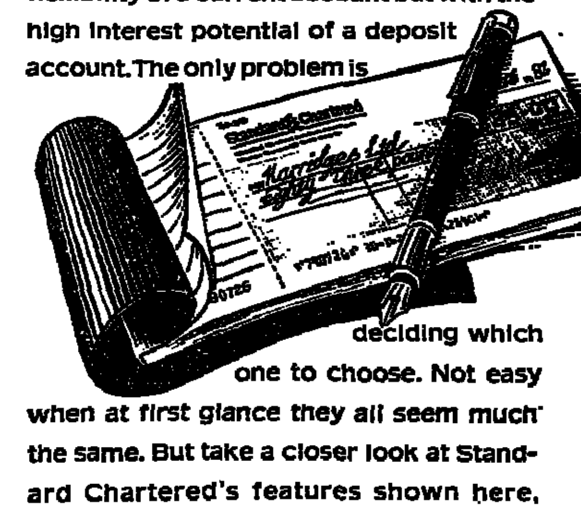

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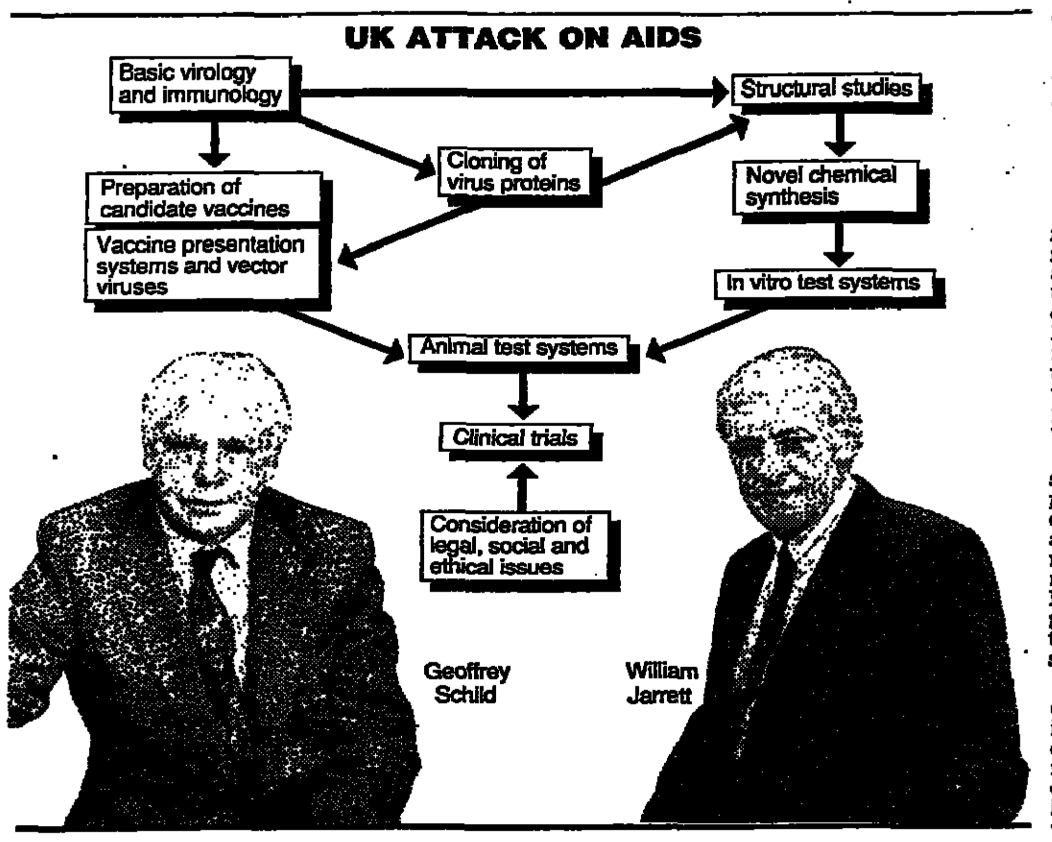
Optimism grows within UK AIDS research

By David Fishlock, Science Editor



A WRY remark from Sir James Gowans - "it's difficult to spend a lot of money quickly" - epitomises the success with which Britain's medical scientists seem to have organised their directed research programme on AIDS.

Despite the difficulty, Sir James says he expects the programme to commit the full £2.5m allocated this year, and one of his senior researchers predicts that trials of its first vaccine will start within 12 months.

In the six months since the Government announced that it was granting an extra £14.5m over three years specifically for AIDS research and development, the medical scientists have organised a national programme involving 24 laboratories and such research-based companies as Wellcome and Celltech. In addition they have formed international links with the US, France, and the United Nation's World Health Organisation(WHO).

The Government pledged £2.5m this year, £5m next year, and £7m in 1989. But the programme has already committed cash beyond the three years, Sir James says.

On October 1 a new director, Dr Geoffrey Schild, takes over from Sir James, the founding director, who is also retiring as chief executive of the Medical Research Council. Dr Schild is already chairman of the steering committee managing one prong of the research programme.

As programme director, he will continue to run this committee while overseeing both committees in the programme's two-pronged attack on AIDS.

Dr Schild is director of the National Institute for Biological Standards and Control at South Mimms, north of London, a new £25m Medical Research Council(MRC) investment in the safety and quality of medical products of biological origin - vaccines, hormones, blood products, and a host of possibilities emerging from the new biotechnologies such as genetic engineering.

Dr Schild's newly-finished laboratories - particularly the biotechnology block - have a central role in the AIDS programme. They are equipped with the secure containment needed for research on highly infectious organisms, as well as pilot manufacturing facilities to make biological standards and reference materials. The institute's bailiwick is defined as the standards laboratory for medical substances which cannot be characterised by chemical and physical features alone, but which have a biological or living dimension.

Anything that emerges from the AIDS research programme on vaccines will come to this institute for testing, following internationally agreed procedures by which candidate vaccines can be directly and reproducibly compared for efficacy and safety. The institute will probably also examine any anti-viral drugs for AIDS in the same way.

Tests may have to rely heavily on human volunteers

The institute is one of ten WHO centres for AIDS. "It means we're a member of an extensive international network," says Schild. It has already been involved in efforts to sort out an international scientific nomenclature for human immunodeficiency virus (HIV), the very complex AIDS virus.

Only a year ago scientists were pretty pessimistic about an early solution to this very elusive virus with its apparently infinite capacity for deception. A US laboratory reported only last month that HIV is mutating up to five times as fast as any other infectious agent.

Over the year, however, researchers have become more optimistic, for two reasons, Sir James Gowans says. One is the discovery at Glasgow University that there is an effective and simple vaccine which cures a similar disease in cats.

The other is a recognition that animal models may not be the best way of finding the answer to a disease so specific as HIV is to humans. Scientists may have to bypass much of the customary animal testing and rely heavily on human volunteers. There will be no shortage of volunteers, forecasts Professor William Jarrett, head of the department of veterinary pathology at Glasgow University. Every researcher already has a file of volunteers willing to try a new way of warding off AIDS.

Prof. Jarrett, a Glaswegian with an international name for his work on animals vaccines, is a key figure in the British quest for an AIDS vaccine, one of the twin targets of the research programme. A years ago, the drug companies were not very interested, he says. Today it is different - "there's much more hopefulness."

As a veterinary scientist, he knows well that efficacy is not the only factor required in any vaccine likely to wipe out AIDS worldwide. It has also got to be cheap, stable and easily distributed, if it is to make any impact in say Africa, where the disease is already endemic.

A simple vaccine cures a similar disease in cats

Prof. Jarrett and his brother Oswald have a five-year grant worth more than £1m for work which includes investigating two of the most promising approaches to an AIDS vaccine to emerge in the last year. One is the preparation of the Iscom (immuno-stimulating complex) vaccine, in which the HIV antigen is combined with an extract of tree bark shown to enhance the antigen's immune response to levels which may protect effectively against AIDS.

The second approach is through a related animal disease of cats called feline immunodeficiency disease (FIV), which Prof. Jarrett has shown is related to HIV - just how closely remains to be seen.

Another five-year programme grant worth more than £1m has gone to Professor Robin Weiss and P.R. Chapman at the Institute of Cancer Research in London, for work on the biology of HIV and the development of new tests for virus neutralisation and infectivity. This grant will also provide the rest of the programme with a service for virus neutralisation tests.

The second - and probably still more ambitious - part of the programme aims to discover or design anti-viral drugs effective against HIV. Professor Max Perutz, the Nobel prizewinning molecular biologist with the Laboratory for Molecular Biology in Cambridge, is chairman of the programme's anti-viral steering committee.

The MRC has often been criticised for its long-standing faith in molecular biology as the scientific basis of a new kind of medicine. Sir James himself recalls the politician who asked him: "How many sick people will molecular biology cure?"

In fact, Britain's AIDS research programme is founded on a bedrock of molecular biology and a fundamental understanding of the virology and immunology of HIV.

HIV was isolated very rapidly by molecular biology in 1983. Since then all the chemical components of HIV have been characterised, mostly by US research workers. Molecular biology has pinpointed the places at which the virus is likely to be most vulnerable to a drug. One is where it might block replication of the virus at the critical step of transcription from RNA to DNA. Another is the virus coating, where the homing mechanism, which guides HIV to its target, is thought to reside.

The drugs tried so far for AIDS - AZT and acyclovir are too toxic, says Prof. Perutz.

"All these projects are extremely difficult", he warns. "We cannot expect quick results." His aim is to whip up enthusiasm in British universities for tackling specific targets, such as the one undertaken by Professor David Blow at Imperial College, London, to analyse the structure of the enzyme which performs the critical transcription from RNA to DNA.

WORTH WATCHING

Edited by Geoffrey Charlish

US takes long view of chemical dangers

IN THE US, Hughes Aircraft Company has designed a laser sensor that can detect the presence of chemical agents at distances of up to three miles.

The system was developed for the US Army, which in times of war might have to cope with chemical weapons. US troops would currently use personal detectors that would only be activated on contact with chemicals.

With the new system, carbon dioxide laser beams are fired at the distant danger area and the reflected light is detected and analysed by a spectrum analyser.

Databases switch into Overdrive

BUSINESS SIMULATIONS, a UK software house, is offering a system for personal computer users that will speed up access to the information held on hard disks using the PC-DOS and MS-DOS operating systems. The company says that, in one case, an 80-minute database sorting routine was reduced to 13 minutes.

Called Overdrive, the software overcomes inefficiences built in to the operating system which, when those systems were developed seven years ago, were adequate with the floppy disks they mainly used.

Today, hard disks are much more common and, according to the company, the disk operating systems spend more time thinking about what to tell a disk drive to do than the drive spends actually doing it.

The company claims that the software does not alter the way a personal computer works, and that files are unlikely to be damaged.

No hiding place for Nessie

IN WHAT appears to be a definitive solution to the mysteries of Loch Ness in Scotland, a fleet of boats equipped with the latest sonar and underwater television equipment is to sweep the 23-mile length of the loch between October 9 and 11 under the auspices of the Loch Ness Centre at Drumnadrochit.

Lowrance Electronics of Tulsa, Oklahoma in the US, which claims to be the world's largest maker of sonar equipment, is providing the boats' "eyes" and the flotilla is to be provided by Caley Cruisers, which operates a fleet of holiday cruisers on the loch. Other sponsors included airline Dan Air and the Scottish Highlands and Islands Development Board.

The sponsors say they are not just looking for the legendary Loch Ness monster, but will be carrying out a general study down to the loch's bottom (at 728ft). This study will embrace thermal-gradient phenomena and the unusual fish life known to exist in complete darkness and high pressure.

Free and easy on the shopfloor

A SMALL freight transporter can be sent to any point on a working floor area in factory or warehouse, moving from place to place under computer control, in a system called FROG from Dutch company Industrial Contractors Holland.

FROG stands for "free ranging on grid" and is based on a two-dimensional pattern marking the floor surface and an electronic map carried by the vehicle.

The grid can take a number of forms. For example, it can consist of a simple grid pattern of dark lines on a light background. For this, the vehicle will be equipped with an array of light sensitive detectors.

Alternatively, metal lines can be used which can be detected by the vehicle using electromagetic detection. And, in another arrangement, the grid intersection points are marked by special 'labels' which can be read electromagnetically by a unit on the vehicle.

The FROG knows its approximate position at all times by using a system associated with its wheels, and which counts the number of revolutions made from a starting point. This estimated position is corrected with the aid of the grid as the vehicle moves about.

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The machine has a four-line liquid crystal display so that typing errors can be picked up before they are committed to paper. Several quite advanced word processing facilities are provided and the machine has a text memory for which a floppy disk add-on will soon be available.

The unit's paper handling abilities, flexible printing modes and word processing software give "far greater flexibility than any computer printer used with a personal computer running word processing software," according to the machines makers.

Philips shows way on company phones

A USEFUL layman's guide to selecting a company telephone system has been written by Philips Business Systems and is available free.

The booklet is not, as might perhaps be suspected, a form of publicity for Philips products (they are mentioned only on the last page). But it covers the major aspects of such systems, including basic principles, types, sizing, networking and pricing.

CONTACTS: Philips Business Systems: UK office, 0206 575115. Hermes Precisa: UK office, 0206 845251. Industrial Contractors Holland: The Netherlands, telex 76127. Hughes Aircraft Company: US, (213) 616 1022. Business Simulations: UK, 089286 3165.

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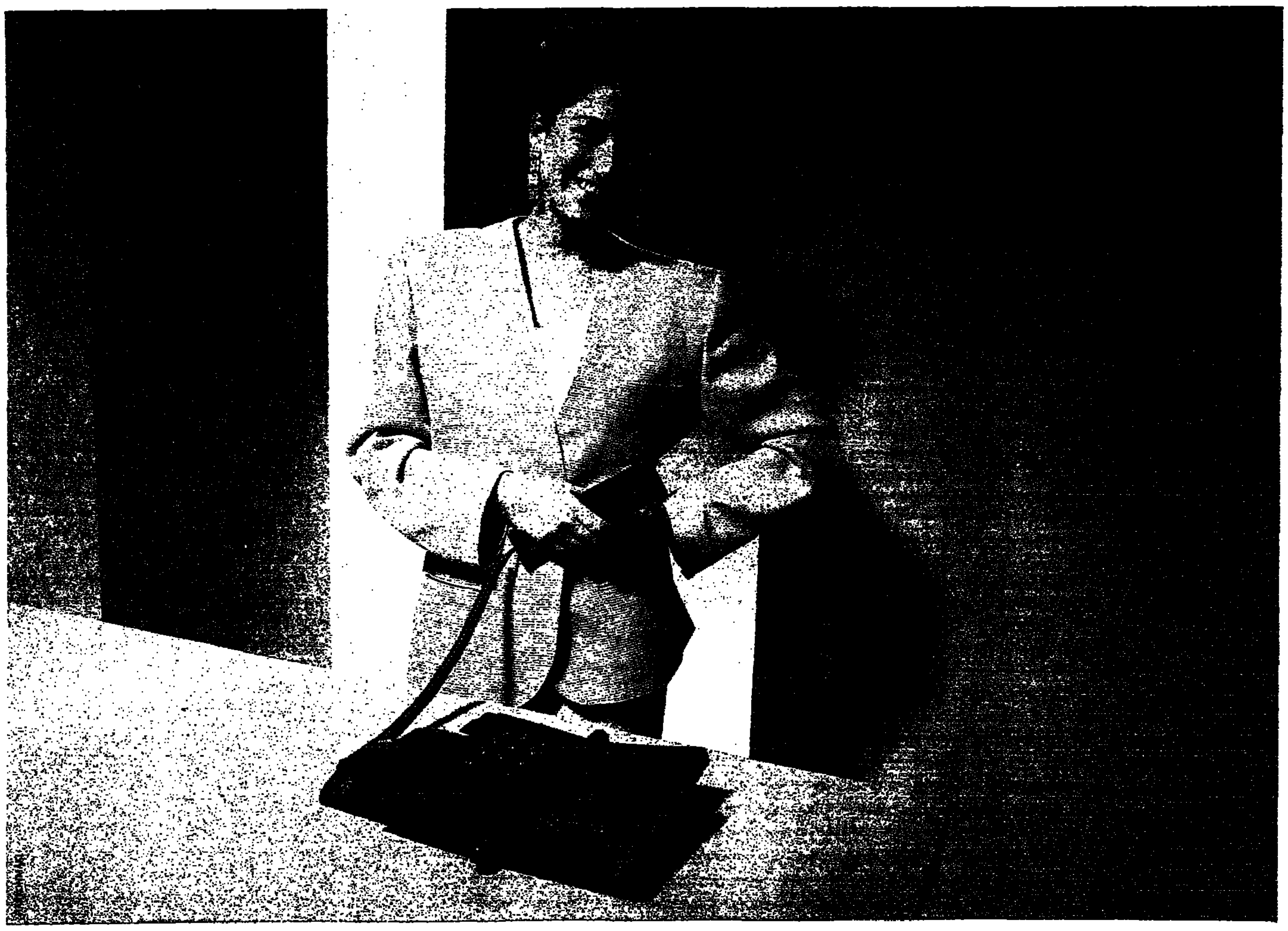

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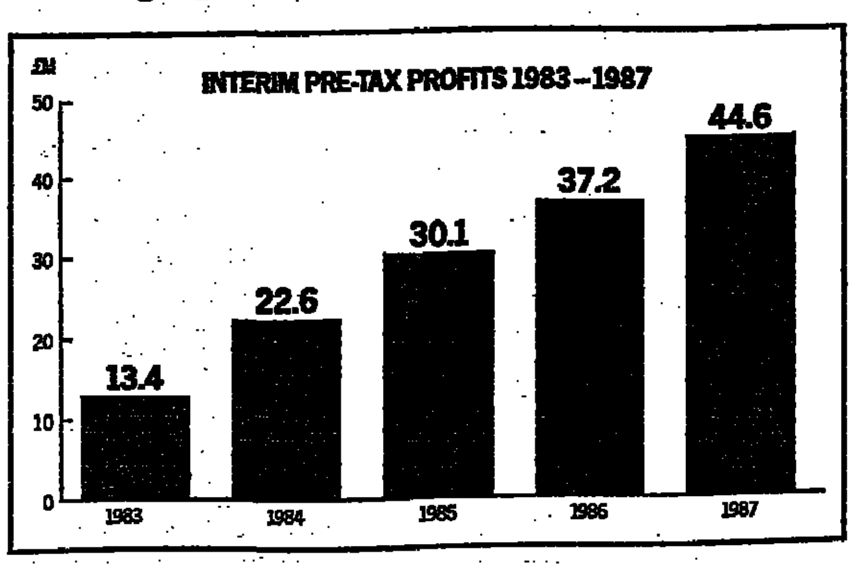

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UK NEWS

Labour NEC keeps franchise options open

BY JOHN HUNT

THE National Executive Committee of the Labour Party has decided to recommend the widening of the franchise for the selection of MPs but has left its annual conference to decide in two weeks' time which system should be adopted.

After three hours of discussion yesterday the NEC decided not to back either of the two rival versions on offer - one-member one-vote or the electoral college system which will ensure that unions continue to have a big say in choosing MPs for the constituency parties. Thus Mr Neil Kinnock, the party leader, stands a good chance of getting the widening of party democracy that he has been seeking. But he is keeping his options open and limiting the risk of a personal rebuff by the conference by saying that either option is acceptable to him.

At the same time he is laying himself open to charges - which are certain to be taken up by the Tories - that he is once again allowing the big battalions of the unions to decide the future of the party.

A majority of the unions favour the electoral college system which will ensure that they have a substantial representation of up to 40 per cent on the local party committees. It was frankly admitted by MPs and party officials at yesterday's meeting that it is the unions, whose block vote vastly outnumbers the constituency delegates, who will decide the outcome at the conference.

The motion to recommend the conference to widen the franchise was passed at the NEC by 19 votes to eight. The size of the vote opposed to it, including many left-wingers, came as a surprise. Those opposed included Mr Tom Sawyer, deputy general secretary of the National Union of Public Employees which is mandated against extending the sytem.

There were also left-wing MPs such as Mr Tony Benn, Mr Dennis Skinner, Mrs Audrey Wise and Mrs Margaret Beckett.

The left-wingers were predicting afterwards that Mr Kinnock may well risk a humiliation and that the conference could vote against the principle of extending the franchise - a vote that will be taken before the two options are put.

But there seems little chance of this happening as a majority of the big unions favour an extension. They include the Transport and General Workers Union, the General Municipal and Boilermakers and the Amalgamated Union of Engineering Workers.

At yesterday's meeting Mr Kinnock was anxious to kill earlier reports that he had quietly moved away from favouring the electoral college and now backed one-member one-vote. At the same time Mr Kinnock firmly put himself behind the need for the wider selection procedure which, he said, would give every member a say in the selection and reselection of their MPs. "It is an essential change if we are to further modernise and invigorate the party," he stressed.

Workforce cut of 260 at Swan Hunter

BY LYNTON McLAIN

SWAN HUNTER, the Tyneside shipbuilder privatised in a management buy-out last year from British Shipbuilders, is to cut its workforce by 260 over the next six months. This will leave a total workforce of 3,340.

The company said yesterday that the job losses were necessary because three of the six vessels on its order book had been launched, reducing the need for workers in the outfitting trades.

The redundancies will mainly affect the outfitting trades, staff and management. Further job losses have been avoided by moving people to other jobs within the company.

On the remaining three orders: HMS Chatham, a Type 22 frigate, is to be launched next year, the first section of the keel of HMS Marlborough, a Type 23 frigate, is to be laid next month and steelwork is under way on a cable repair ship for Cable and Wireless.

The loss of jobs is likely to be substantially higher if Swan Hunter fails to win the order for the Royal Navy's second auxiliary oiler replenishment vessel and an expected refit order. Swan Hunter has been given a "preferential opportunity" to bid for the AOR vessel by the Ministry of Defence and is the only bidder.

Ten years ago, nearly 12,000 people were employed in Swan Hunter's yards on the Tyne.

Pensions timetable altered

By Eric Short

THE OCCUPATIONAL Pension Board yesterday issued its revised timetable for approving the new-style pension contracts for opting out of the state earnings-related pension scheme.

The change was necessary as the Government has put back the introduction of personal pensions from January to July next year.

The 1986 Social Security Act introduces several styles of pension contract - the main ones being personal pensions and contracted-out money purchase schemes, known as Comps.

The changes will impose a considerable workload on the pension board and, to cope, the board intended to deal with personal pensions before considering Comps.

Now the timetable has been reversed. Comps will appear as originally scheduled in April ahead of personal pensions in July. The board intends to issue its draft memorandum on Comps next month with a final version in January.

However, it has not put its proposals on personal pensions into cold storage. The delay will give the board time to consider the outstanding issues raised over its draft memorandum for the approval of personal pensions.

It intends to issue its final memorandum in January.

The change in timetable means that the board will have to consider approval of personal pensions and Comps at the same time, which it was hoping to avoid.

Although life companies and other providers cannot issue personal pensions until July, they intend to market them well before that date and will want advance approval.

Kenneth Gooding portrays the man likely to take over GM's Dunstable factory

Truck project powered by all-wheel-drive

AT THE AGE of 62, when some people might be thinking of retirement, Mr David Brown is making another attempt to buy one of Britain's larger truck assembly businesses.

This time he seems to have a better chance than in 1979 when he enraged Sir Michael Edwardes, then chairman of British Leyland, by announcing that he wanted to buy BL's heavy commercial vehicle operations.

Mr Brown emerged yesterday as front runner to take over General Motors' moribund truck assembly plant at Dunstable, Bedfordshire, and save the 1,100 jobs there.

Not only that but - such is Mr Brown's determination to find room to expand his privately owned group of companies - he has also approached the Rover group about the possibility of acquiring the Scammell special-purpose truck plant at Watford, which is scheduled to be phased out in the next year as part of the latest rationalisation programme.

What seems to be driving Mr Brown, a self-taught designer and engineer, is his lifelong interest in vehicles that have every wheel driven by the engine, all-wheel-drive for short.

He has a new product, developed by his small research company DJI and made by his Multidrive company, which not only drives all the wheels of the heaviest on-road and off-road trucks but also enables the rear wheels, as well as those at the front, to be steered. That gives the vehicle tremendous manoeuvrability, particularly off the road.

Mr Brown believes this Multidrive system has so much potential he is ready to put up his own cash to buy the Dunstable plant and add it to the existing output of Bedford trucks. If that deal fails to go through the Scammell venture offers one of the alternatives he has been examining.

He should not be confused with his namesake who, confusingly, was also involved in engineering, agricultural tractors and for a time owned the Aston Martin Lagonda luxury car business.

Mr Brown threw up a well-paid job with the Babcock and Wilcox construction equipment group in 1973 at the age of 48, sold his house and moved into a council property to prove he could make his own business a success.

The sale of his home was necessary because Mr Brown had some difficulty in convincing bankers to back him - a short-sightedness he will never forgive nor forget.

Mr Brown had decided that there was an untapped market for huge, all-wheel-drive dump trucks capable of carrying 22 to 50 tonnes. The big companies such as Caterpillar and International Harvester of the US and Komatsu of Japan were not bothering to fill that market because the volumes were too small.

With an initial capital of £50,000, he set up DJB Engineering. Within a year, the first truck rolled off the line and the company has never since looked back.

In 1985 Mr Brown sold his designs to Caterpillar, but retained the manufacturing rights. His dump truck company, now called Artix, employs about 600 people at Peterlee, County Durham, and this year will have a turnover of about £60m and produce 500 vehicles.

His company survived the recession, which brought International Harvester to the brink of bankruptcy and forced even Caterpillar into losses, partly because it buys in rather than makes key components. Engines, transmissions and drive axles all come from Caterpillar.

It also concentrated mainly on selling to industrialised customers in Europe and North America rather than to developing countries, which for some years have been short of dollars to pay for vehicles.

Mr Brown, a short man, quietly spoken and neatly dressed, had enough self-confidence in 1979 to imply that he could do a better job with Leyland Trucks than could Sir Michael Edwardes and his team.

His approach was quickly rebuffed by Sir Michael, who at that time was determined to keep British Leyland in one piece rather than sell it off bit by bit.

Now Mr Brown seems to have a good chance to win control of the Dunstable truck plant, whose future has been threatened ever since General Motors decided in September last year to stop making Bedford medium and heavy trucks for the UK and the rest of Europe.

GM has received approaches from other potentially interested companies but yesterday felt sufficiently confident that real progress was being made to disclose that detailed negotiations were under way with Mr Brown.

Nearly 2,000 people were employed at the Dunstable factory, on a 200-acre site, before the phased closure of the European truck operations. Today, 1,100 people build M-series heavy trucks, mainly for military use, and the TJ bonneted trucks for export.

GM says the factory will build about 5,500 trucks this year, about half for export to such countries as Pakistan, Morocco, Nigeria and the Sudan, and half for military purposes.

For the past year GM has been attempting to wind up its heavily loss-making commercial vehicle operations in the UK. It recently sold its van business at Luton to a new joint company, in which Isuzu of Japan is the main shareholder.

The sale of Dunstable would leave only the profitable car-based vans produced at Ellesmere Port on Merseyside.

Accountants wary of shares sale plan

BY RICHARD WATERS

ACCOUNTANCY firms should not be allowed to bring in minority outside shareholders, according to a significant group of members of the Institute of Chartered Accountants in England and Wales.

The Government proposed this summer to allow firms to sell up to 49 per cent of their shares. It said this would be subject to certain conditions designed to protect the independence of firms' audit work.

The latest objection, voiced by the London Society of Chartered Accountants, will put further pressure on the Government to reconsider its stance. The society represents 20,000 institute members, roughly a quarter of the total.

Peat Marwick McLintock, the UK's largest accountancy firm, said earlier this month that outside shareholdings should not be permitted. Other large firms have taken the opposite view.

After a debate last week, the London society said that up to 49 per cent of shares in accountancy firms should be open to non-accountants but these should be restricted to employees.

Mr Peter Wyman, society chairman, said his members "will find it difficult, at this stage, to accept equity participation by anyone other than employees."

The institute has yet to debate the issue but is believed to be considering a compromise solution. This would involve the Government passing a law to allow minority outside shareholders while reserving the right to make greater restrictions by statutory instrument if it thought fit.

The Trade and Industry Department said it still had an open mind on shareholdings in accountancy firms.

Education consultation attacked

By John Hunt

THE GOVERNMENT'S consultation process on its education proposals was a sham, Mr Jack Straw, Labour education spokesman, said yesterday.

His remarks came as Mr Kenneth Baker, Education Secretary, was meeting chairmen of Conservative-controlled education committees to discuss the proposals, which he intends to include in his education bill later this year.

These include giving parents greater choice of schools for their children and allowing schools to opt out of local authority control.

Mr Straw said a survey he had conducted of 30 local authorities showed that they had little or no say in the consultation although the first phase of the process ended yesterday.

He said that 97 per cent of these authorities had been unable to consult parent-teacher associations because the time allowed had been too short.

Mr Straw said that too few copies of key consultation documents had been provided to local authorities and interested parties.

Air traffic upsurge continues in August

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE UPSURGE in UK air traffic this summer continued in August, with the BAA, formerly the British Airports Authority, reporting record passenger figures.

The BAA's seven airports - Heathrow, Gatwick, Stansted, Glasgow, Prestwick, Edinburgh and Aberdeen - collectively had their busiest month yet, handling a total of 6.2m passengers.

This was a 13 per cent increase on the same month last year when traffic was still depressed by the slump in US tourism to Europe, and 5.7 per cent more than in August 1985.

This August traffic records were set at several airports for the second consecutive month. Heathrow, Gatwick and Stansted all recorded their busiest months, while Prestwick was busier than at any time since August 1981, largely due to substantially increased north Atlantic air traffic.

Heathrow handled more than 3.54m passengers, a gain of 10.3 per cent over August last year. Gatwick handled 2.47m, a gain of 17 per cent, and Stansted 105,900, a rise of 49.6 per cent.

For the full 12 months to the end of August, Heathrow handled more than 33.8m passengers, or 9.7 per cent more than in the previous 12 months. Gatwick handled more than 18.4m, a rise of 16.5 per cent and Stansted handled 654,200, a rise of 24.7 per cent.

The number of aircraft movements handled by the three south-east airports rose by 5.7 per cent in the 12 months to 481,400.

'Statesman' editor quits

BY RAYMOND SNODDY

MR JOHN LLOYD, editor of the New Statesman, is returning to the Financial Times as a "writer at large" after a year in the chair at the political weekly.

During his year at the New Statesman Mr Lloyd, a former industrial editor of the FT, is widely credited with improving the quality of the magazine and reversing a circulation decline. The official circulation figure for the six months to June was 29,442, 14 per cent up on the corresponding period a year ago.

It is believed that Mr Lloyd is returning to the FT because he prefers writing to editing. He will remain at the New Statesman until a successor is found.

Mr Philip Whitehead, chairman of the New Statesman board, said yesterday: "We are profoundly sorry that John Lloyd has decided to return to full-time writing and television after his distinguished editorship."

Mr Gerry Taylor, recently appointed chief executive of the New Statesman, said yesterday that his priorities were to expand the magazine's editorial content and spend promotion money on developing the magazine's subscription base.

Lawson reaffirms anti-inflation goal

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

MR NIGEL LAWSON, the Chancellor, yesterday reaffirmed that the defeat of inflation would remain the pre-eminent goal of the Government's economic strategy.

In a speech opening a conference in London to mark the 50th anniversary of the publication of the General Theory by John Maynard Keynes, he berated the degeneration of "so-called Keynesian" economic policy in the 1970s. That had led to the "holocaust" of inflation, something Keynes himself would have regarded with horror.

The Chancellor, however, took issue with some of the central premises in Keynes's work. Britain's most successful competitors were those who had been least influenced by Keynesian theories, he said.

The policy of the present Government had turned on its head one of the key elements in the post-war consensus. Since 1979 it had reversed the traditional assumption that macro-economic policy should be directed at promoting growth, while micro-economic policy was used to suppress inflation.

Mr Lawson said: "We must direct macro-economic policy to the suppression of inflation and rely on micro-economic (or supply-side) policy to provide the conditions conducive to improved economic performance in terms of growth and employment."

The three-day conference on the General Theory, organised by the National Economic Development Office is being addressed by economists from Britain, Europe and the US.

New Ferguson TV brand

BY DAVID THOMAS

FERGUSON, the UK television manufacturer, yesterday announced the first commercial consequence of its acquisition in July by Thomson, the nationalised French electronics group.

It is to take over British distribution of televisions for Normende, the West German subsidiary of Thomson. Normende has a small share of the UK market at the quality end.

Mr Peter Brice, Ferguson's commercial director, explained that Normende would not eat into Ferguson's own market share.

Mr Brice said that both brands would continue to have distinct identities and that a separate subsidiary would probably be established to coordinate Normende sales through key dealers. However, control of the Normende brand in the UK would now be Ferguson's responsibility.

Agency franchising

THE Financial Times reported, in an article on September 9, that Abbey National Building Society was the first institution to use franchising for estate agency in Britain. It has since been pointed out that, among others, John James and Whitegates had used franchising earlier.

Mercury Danish deal

BY DAVID THOMAS

MERCURY Communications, BT's rival, has made another inroad into the lucrative European public telecommunications market with an agreement for an exchange of traffic with Denmark.

Mercury has been putting considerable effort into securing agreements with foreign operators, because it means Mercury no longer has to hand over to BT calls which it generates for those markets.

Under international agreements, foreign operators also send to Mercury the same amount of traffic as Mercury sends to them.

Mercury's first breakthrough in Europe came last month when it announced an agreement to exchange public telecommunications traffic with Italy.

The company predicted then that several other European countries would follow quickly. It said yesterday that it hoped to sign two further agreements before the end of the year.

James Buxton on the party's plans to revive its fortunes north of the border

Back to Thatcher for Scotland's Tories

THE SCOTTISH CONSERVATIVE Party, for long publicity-shy almost to the point of paranoia, has dominated the headlines in Scotland in the past few weeks.

It has announced a big strengthening of its central organisation in the wake of its stunning election defeat, in which it lost 11 of its 21 MPs, and it has received a successful visit to Scotland by Mrs Margaret Thatcher.

Then, last week details of two internal party documents leaked out to the media, highlighting the party's organisational weaknesses, and the widespread Scottish perception of the Tories as an English party, epitomised in the "condescending and patronising" image of the Prime Minister.

Finally, on Sunday about 100 members of the executive of the Scottish Conservative and Unionist Association - the party's activists - spent all day in Perth debating the issues. They apparently agreed that there should be no big changes in Tory policy towards Scotland.

Afterwards Mr Malcolm Rifkind, the Scottish Secretary, said there was a "realisation that the recovery of our strength in Scotland will only happen over a period of time. We are not expecting or anticipating dramatic improvements in our fortunes in the next few weeks or months." But, he said, the party's "regeneration is now a matter that we can assume will take place, although the pace of it is something that events will determine."

The party's strategy is clear. It is to press ahead with Thatcherite policies, but to promote them better and more assertively, backed by what is to become a more powerful organisation. In the past, especially under Mr George Younger, Mr Rifkind's predecessor as Scottish Secretary, the party sometimes gave the impression of wanting to shield Scotland from the full impact of Thatcherism. That is no longer the case.

In a recent speech in Glasgow Mr Rifkind said: "Quite consciously and quite deliberately we are determined to change many of the attitudes and policies which have dominated Scotland for years and which are responsible for many of Scotland's social, economic and industrial problems." That meant assaulting the "paternalist culture" under which people expected "benevolent bureaucrats, paternalist councils and omnipotent governments to assume responsibilities on their behalf."

The party is promoting two new social policies. It is shortly to publish a White Paper on housing after consultation on its plans to create a new housing agency, called Scottish Homes. That would fund housing initiatives aimed at increasing home ownership and breaking municipal monopolies by allowing more tenant cooperatives and other forms of shared ownership.

Alongside that, the government is proposing a radical measure to give parents a large say in the running of state schools, in which they are barely involved at present. Mr Michael Forsyth, the 33-year-old Education Minister at the Scottish Office, wants to set up school boards on which parents would have a majority. They would be able to veto the appointment of head teachers. In due course they could, if they wished, take control of budgets and have the power to appoint all members of the school staff.

The privatisation of the two Scottish electricity boards, which have a simpler structure than their their English counterparts as they both generate and distribute electricity, is also seen as an important part of the government's strategy. By issuing shares to the consumers as well as to the employees of the industry, the severe shortage of Scots who own shares could be dramatically rectified.

The government is also to press ahead with the Community Charge, which is to replace rates in Scotland in April 1989. The local authorities, which are predominantly Labour-controlled, are now grudgingly preparing for it.

It is all a high-risk strategy. The community charge is unpopular. There are fears among tenants that the housing proposals will lead to rent increases. The plan for parent power has shocked most local authorities, and has even aroused doubts among members of the Scottish Parent Teachers Association at the sweeping nature of the powers on offer to them.

Furthermore the party does not appear to be directly answering all the criticisms voiced in the leaked documents by its own workers, based in part on what they heard on the doorstep during the election. One of their main conclusions was that the party was seen as being anti-Scottish, partly because it is the only party in Scotland not to favour some form of Scottish Assembly. It was particularly suggested that the party should not prejudge the issue of devolution.

Mrs Thatcher, however, forcefully ruled it out when she came to Scotland, saying it would be the first step in the break-up of the United Kingdom. Mr Rifkind, a former devolutionist, argues with some conviction that few Scots badly want an assembly.

But a minority in the Tory party, whose voice has until lately been stifled, does support the creation of a Scottish assembly, and in Perth on Sunday Mr Rifkind said there was general agreement that the "issue should be properly discussed and debated."

However, he added "the overwhelming mood amongst Conservative activists is that devolution would be against the interests of Scotland. "The matter seems certain to come up at the Scottish Tory party conference next May after an absence of some years.

But the new Conservative approach is, if necessary, to challenge prevailing Scottish attitudes rather than accommodate them. Mr John MacKay, the former Scottish Office minister who has been given the newly

Malcolm Rifkind: Determined to change attitudes

created post of chief executive of the party in Scotland, has already shown himself to be a robust spokesman.

He is shortly to be supplemented by a team of researchers, media specialists and organisers. The fact that the Scottish party is being made financially independent of Conservative Party Central Office in London is a form of devolution that might go some way to assuaging suspicions that the Scottish Tories are puppets controlled from England.

Conservatives acknowledge the party shake-up must now spread from Edinburgh to the constituencies, where some organisations are severely run down and proved easy prey to Labour's large and efficient armies in the election. Some of them have not even begun to think about next year's district council elections - the Tories control only four of the 53 councils in the country and have great difficulty persuading people to contest council seats.

Yet despite their depleted ranks the Conservatives have the initiative in Scottish politics. Labour's autumn campaign for a Scottish assembly got off to an uncertain start on Saturday with a somewhat thinly attended rally in Glasgow. Mr Rifkind attributes some of his confidence in his party's revival to "the confusion of our enemies."

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UK NEWS

Pits head for ban on overtime as talks fail

By David Brindle

THE PROSPECT of Britain's mineworkers beginning an overtime ban next Monday loomed larger last night after Acas, the conciliation service, tried and failed to break the deadlock over British Coal's controversial disciplinary code.

The National Union of Mineworkers' national executive committee will meet tomorrow to complete arrangements for implementing the ban, which has already begun on an unofficial basis in some pits in Yorkshire.

Acas intervention came yesterday after the failure of talks between the NUM and British Coal on Monday. Those talks had foundered on the union's demand for either a return to the former system of "pit umpires" or introduction of independent arbitration - both options involving binding adjudication on the reinstatement of unfairly dismissed miners.

Mr Arthur Scargill, NUM president, said British Coal could settle the dispute by agreeing to the 40-year-old umpire system instead of insisting on disciplinary cases going to industrial tribunals.

Sir Robert Haslam, British Coal chairman, said on BBC radio that prolonged disruption as a result of an overtime ban could lead to "fairly heavy" redundancies. Asked if this might mean the industry's first compulsory redundancies since 1945, he said: "I think this could be a sort of threshold where we might have to look at that."

Owen allies plan to form nucleus of a new party

BY PETER RIDDELL, POLITICAL EDITOR

ALLIES OF Dr David Owen, the former Social Democratic Party leader, who oppose a merger with the Liberals have arranged a nationwide series of meetings and have recruited staff to form a nucleus of the organisation of a possible new party.

The moves include the recruitment of the SDP's three-strong fund-raising team to work for the Campaign for Social Democracy, the anti-merger group, which would be the basis of any independent continuing social democratic group.

The campaign operates from offices in London owned by a private company of Mr David Sainsbury, the finance director of the Sainsbury supermarket group, a trustee of the SDP and close ally of Dr Owen.

These preparations emerged as the Liberal Assembly at Harrogate, in the north of England, yesterday gave overwhelming backing to merger talks and warmly applauded leading pro-merger Social Democrats who were present for the generally harmonious five-hour debate. Detailed proposals for the negotiations will now be drawn up and voted upon tomorrow afternoon.

Mr David Steel, the Liberal leader, said the discussions should be brief and those involved should be 'locked in a room for a month if necessary to get on with it.'

While the principle of a merger is now backed by most Liberals and a clear majority of Social Democrats, the campaign against by a minority of Social Democrats is becoming increasingly organised.

David Steel: discussions should be brief

A public meeting has been arranged in Islington, north London, on October 13 by a leading local anti-merger Social Democrat. This will be followed by several further meetings this autumn.

Mr Sainsbury, previously a major financial supporter of the SDP, said yesterday that no decision had been made to establish a continuing or independent social democratic party, which would depend on the outcome of the talks.

Conference reports, Page 14

IBM offers securities trading system

By Terry Dodsworth, Industrial Editor

IBM, the world's dominant computer group, yesterday launched its long-expected bid to capture a stake in the burgeoning securities trading business with a new system developed jointly with the London Stock Exchange.

Orders for 400 of the recently launched IBM PS/2 desktop machines to be used with the system have already been taken, including contracts from both Nomura and Daiwa, the two leading Japanese securities houses. On the basis of an average price of £15,000 for a workstation, this initial agreement is expected to generate about £6m for IBM.

The key element in the system, called Radix, is software designed by a Stock Exchange team to establish a common approach to handle price quotations transmitted by different suppliers.

This will mean that information which is currently channelled into trading rooms on separate and incompatible networks can be brought together and quoted on one screen - a number of them at the same time, if required.

Initially, the two partners are introducing Radix with four information sources - the page-based services from Reuters, Telerate and Topic, and the Stock Exchange's CRS-LYNX network. These data supplies will be expanded eventually, and customers will also be able to gain access to other information sources using software protocols provided by the Stock Exchange, which will market its software services separately.

As Radix is developed, the two partners plan to add an integrated dealing function to the keyboard, so that traders can execute transactions, as well as systems of manipulating data for the special needs of their clients.

Data manipulation - building up data bases or helping dealers make buy and sell decisions, for example - will be possible on the system because all the information being processed will be in digital form. At present, many of the screen-based dealing room services are transmitted in an analogue form which cannot be automatically stored and retrieved by computers.

Employers urged to end religious job discrimination

BY OUR BELFAST CORRESPONDENT

THE GOVERNMENT yesterday took the first step in a fresh attempt to rid Northern Ireland of job discrimination on the grounds of religion by issuing every employer with a guide on fair employment.

The guide urges companies to ask the religion of employees and job applicants. It recommends ways on correcting an imbalance in the labour force, including new recruitment procedures and the setting of 'goals and timetables'.

Mr Tom King, the Northern Ireland Secretary, and his ministers have rejected the idea of positive discrimination in favour of Catholics, which would mean quotas. They believe the detailed guide removes any excuses which companies might still have for not tackling the problem.

The guide does not have the force of law but will be followed by new fair employment legislation, in force by 1989, which will enable sanctions to be taken against employers who do not comply.

Mr King told a news conference the guide would remove 'the plea of ignorance from employers'. It was vital for Northern Ireland's future prosperity that there was, and was seen to be, full equality of opportunity in employment.

Each of the 40,000 guides, distributed to industry, unions and various agencies, is accompanied by a message from Mrs Margaret Thatcher, the Prime Minister, stressing the Government's commitment to equal opportunity between Protestants and Catholics.

Mr King will shortly visit the United States as part of a government effort to counter a campaign run by pro-Republican groups to persuade American firms to disinvest in Northern Ireland because of alleged systematic discrimination against Catholics.

Publication of the new guide will enable Mr King to demonstrate the measures the Government is taking. He will explain that proposals for new legislation would impose sanctions on erring employers, preventing them from receiving government contracts and state grants.

The Government has already announced additional funds to strengthen the Fair Employment Agency which was set up in 1976 to police fair employment laws.

The guide was welcomed with only minor reservations by employers' organisations and the unions.

The main Roman Catholic party, the Social Democratic and Labour Party, said it was fine as an interim measure but new legislation was needed urgently.

Mr Eddie McGrady MP, the SDLP's party manager, said Catholics were still 2½ times more likely to be unemployed than Protestants.

GM discussing truck plant sale

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

GENERAL MOTORS, the world's largest automotive group, is negotiating to sell its medium and heavy truck plant at Dunstable, north of London, to Mr David J. B. Brown, chairman of a group of vehicle production companies based in north-east England.

If the deal is completed, Mr Brown will need the entire Dunstable workforce of 1,100 whose future has been threatened since December last year when GM stopped making trucks for European markets.

Mr Brown, 52, and no relation to the David Brown whose engineering group once owned the Aston Martin Lagonda luxury car business, controls companies employing about 600 in Peterlee, north-east England.

The best known and largest is Artix, formerly called DJB Engineering, which makes large dump trucks.

Mr David Barnard, marketing director of Artix, said yesterday that Mr Brown was looking for room to expand and the acquisition of Dunstable would not have any impact on employment in his other companies.

Mr Brown believes there is great potential for an all-wheel-drive vehicle system developed by his DJI research organisation and produced by his Multidrive company and this would be added to the output at Dunstable.

The GM factory, on a 200-acre site, employed nearly 2,000 before October last year when GM decided to phase out medium and heavy truck production for European markets.

This followed GM's unsuccessful attempt to buy Leyland Trucks and Land Rover from the state-owned Rover group and merge them with its heavily loss-making Bedford business.

Teachers split over strike during Tory conference

BY DAVID BRINDLE, LABOUR CORRESPONDENT

DEBATE 'S raging within and between the two main teaching unions over whether to call for strike action to coincide with the Conservative Party conference in three weeks' time.

The unions, the NUT and NAS/UWT, are anxious to make clear they are continuing their campaign for restoration of negotiating rights on pay and conditions. But they are worried about the risk of alienating parental opinion.

There is also serious doubt over the willingness of members of the two unions to take part in any further strikes after the lengthy disruptive action of the past three years.

The suggestion of a half-day protest strike has come from some NUT leaders. Ironically, it was the NUT which declined to go along with a series of token stoppages by the NAS/UWT at the end of the last school year in July.

The NUT said then that it would be arranging days of action in the autumn, and dropped hints that one of these days would concide with the Conservative conference.

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ADJUSTMENT OF SUBSCRIPTION PRICE

Pursuant to Clause 4(A) of the Instrument dated June 25, 1987 under which the above described Warrants were issued, you are hereby notified that a free distribution of Shares of our Company at the rate of 0.07 share for each one share held will be made to shareholders of record as of September 30, 1987.

As a result of such distribution, the Subscription Price at which shares are issuable upon exercise of the Warrants will be adjusted pursuant to Condition 7 of the Warrants from 2,102.0 Japanese Yen to 1,964.5 Japanese Yen effective as of October 1, 1987.

TOKYU CORPORATION

Dated: September 16, 1987

To the Holders of
WARRANTS
to subscribe for shares of common stock of

TOKYU CORPORATION

(the "Company")

(Issued in conjunction with an issue by Tokyu Corporation of U.S.$40,000,000 8¼%.
Guaranteed Notes due 1990)

NOTICE OF FREE DISTRIBUTION OF SHARES
AND
ADJUSTMENT OF SUBSCRIPTION PRICE

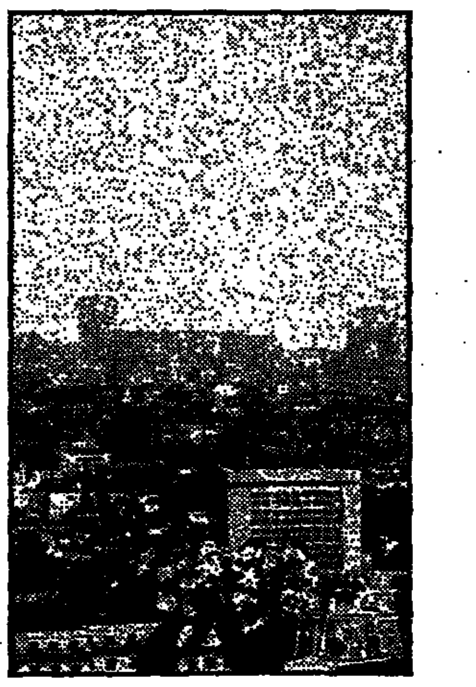
Pursuant to Clause 4(A) of the Instrument dated February 4, 1985 under which the above described Warrants were issued, you are hereby notified that a free distribution of Shares of our Company at the rate of 0.07 share for each one share held will be made to shareholders of record as of September 30, 1987.

As a result of such distribution, the Subscription Price at which shares are issuable upon exercise of the Warrants will be adjusted pursuant to Condition 7 of the Warrants from 326.0 Japanese Yen to 304.7 Japanese Yen effective as of October 1, 1987.

TOKYU CORPORATION

Dated: September 16, 1987

ALTHOUGH WE'VE MADE OVER 500 CHANGES
THERE'S ONE THING WE COULDN'T IMPROVE.



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Extracts from the Chairman's Statements...

RAND MINES

BLYVOORUITZICHT GOLD MINING COMPANY, LIMITED
Registration Number 05/09743/06

HARMONY GOLD MINING COMPANY LIMITED
Registration Number 05/38232/06

(Both companies incorporated in the Republic of South Africa)

"The companies are intensifying their efforts to recruit South Africans and particularly urban dwellers. The intention is to employ people who can enjoy "normal" family living and to move away from single accommodation in hostels as far as practicable." – C. G. Knobbs.

Gold

The outlook for gold is guardedly optimistic and the U.S. dollar price is likely to continue to be affected by factors such as the state of the U.S. domestic economy, the strength of the U.S. dollar, protectionist trade policies of the major economic powers, concern over the implications of Latin American and Third World debt, and the Arabian Gulf and Central American zones of conflict.

Positive prospects for the gold price are reinforced by the fact that despite substantial increases in the supply of the metal over the last few years, prices have remained relatively firm. Communist bloc gold sales last year were at their highest levels in almost a decade and the recycling of gold scrap for the jewellery industry showed an increase of more than 50 per cent over the previous highest figure. These commodity factors failed to have a depressing effect on the price whereas the falling U.S. dollar stimulated investment demand and supported prices.

I anticipate that during the 1987/88 financial year the average value of the rand should remain around 50 U.S. cents. This exchange rate combined with an average U.S. dollar gold price of $485 per ounce would produce an average price of R31 200 per kilogram.

Uranium

Among the more important developments during the year was the sanctions legislation passed by the United States. This legislation bans the importation of South African uranium and, in addition, seeks to protect and revitalize failing U.S. producers.

Industrial relations

At the commencement of 1987 the mines, together with other mines in the Rand Mines group, instituted a programme of involving all employees to a far greater extent than before in decisions directly affecting them. It is hoped that this participation by employees in problem solving and decision making will lead to greater job satisfaction and self-actualisation. This in turn should impact positively on the interaction between supervisor and worker, and between the different race groups.

The companies are intensifying their efforts to recruit South Africans and particularly urban dwellers. The intention is to employ people who can enjoy "normal" family living and to move away from single accommodation in hostels as far as practicable. Urban men will already be enjoying some form of settled family life and rural (mainly migrant) men from South Africa will be afforded the opportunity to do likewise.

The so-called "living-out allowance" presently given to certain categories of employees has been improved and extended to all employees living off the mine property to assist them in obtaining their own accommodation.

The mine is also considering major revisions in its policy of offering further financial assistance to those employees who wish to purchase their own homes.

Blyvooruitzicht Gold Mining Company, Limited

	Year ended 30 June 1987	1986	% Change
OPERATING RESULTS			
Ore milled – tons	**2 264 000**	3 125 000	+ 7
Gold produced – kilograms	**12 519**	13 214	– 5
Yield – grams per ton milled	**5,53**	6,22	–11
Working expenditure – per ton milled	**R97,67**	R86,35	+13
Working expenditure – per kilogram sold	**R17 663**	R13 887	+27
GOLD PRICE RECEIVED			
Per kilogram	**R29 221**	R24 355	+20
FINANCIAL RESULTS	**R000's**	R000's	
Working revenue – gold	**365 821**	321 816	+14
Working expenditure – gold	**221 122**	183 503	+21
Working profit – gold	**144 699**	138 313	+ 5
Working profit – uranium	**—**	9 076	—
Total working profit	**144 699**	147 389	– 2
Taxation	**78 381**	81 569	– 4
Profit before appropriations	**67 324**	66 231	+ 2
Appropriations for net expenditure on mining assets	**19 518**	22 495	–13
Earnings – cents per share	**199**	182	+ 9
Dividends – cents per share	**205**	200	+ 3

Outlook

For the coming year the tonnage milled should remain about the same as the 1986/87 financial year. The grade is likely to decline but not as severely as it did in the current year. Capital expenditure is estimated at R20,2 million and will be incurred principally on Main Reef exploration, testing two shaft pumps and settlers at A3 shaft, and rapid yielding props and accessories.

Due to the drop in grade, I expect the dividend to decrease to approximately 155 cents per share for the financial year ending 30 June 1988 provided an average gold price of approximately R31 200 is received.

Harmony Gold Mining Company Limited

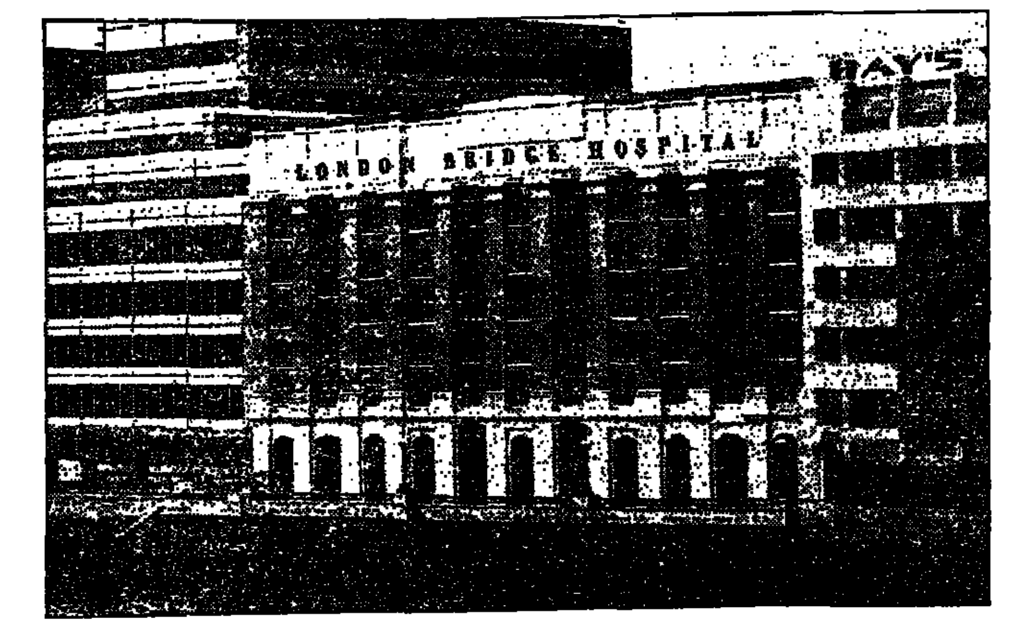
	Year ended 30 June 1987	1986	% Change
OPERATING RESULTS			
Ore milled – tons	**8 693 000**	8 286 000	+ 5
Gold: produced – kilograms	**28 361**	30 313	– 6
yield – grams per ton milled	**3,26**	3,66	–11
Uranium: slime treated – tons	**3 678 000**	5 631 000	–35
yield – kilograms per ton of slime treated	**0,061**	0,073	–16
Pyrite: concentrate recovered – tons	**85 069**	90 613	– 6
Sulphuric acid: produced – tons	**97 057**	94 154	+ 3
Total revenue per ton milled	**R99,19**	R93,59	+ 6
Total cost per ton milled	**R77,72**	R63,84	+22
Working profit per ton milled	**R21,47**	R29,75	+28
GOLD PRICE RECEIVED Per kilogram	**R28 989**	R24 386	+19
FINANCIAL RESULTS	**R000's**	R000's	
Total revenue	**862 265**	775 442	
Gold and silver	**822 169**	739 214	
Uranium, pyrite and sulphuric acid	**40 096**	36 228	
Costs	**675 646**	528 954	
Working profit	**186 619**	246 488	
Interest received	**13 553**	23 901	
Profit before taxation and State's share of profits	**200 172**	270 389	
Taxation and State's share of profit	**6 566**	56 226	
Profit after taxation and State's share of profit	**193 606**	214 163	
Appropriations for net expenditure on mining assets	**137 514**	147 008	
Profit after taxation and appropriations	**56 092**	67 155	
Dividends	**57 802**	71 244	
	(1 710)	(4 089)	
Transfer from general reserve	**—**	2 590	
	(1 710)	(1 499)	
Dividends – cents per share	**215**	265	

Outlook

1988 will be the first full year of production for the Harmony 4 shaft complex and this will be accompanied by a decrease in capital expenditure. For these reasons I believe that prospects for a modest increase in dividend distribution in the coming year are good provided that the gold price averages approximately R31 200 per kilogram.

The annual financial statements and chairman's statements may be obtained from Rand Registrars Limited, P.O. Box 82549, Southdale 2135.
Hill Samuel Registrars Limited, 6 Greencoat Place, London, SW1P 1PL.

Members of the Barlow Rand Group



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For further information, please contact John Rabjohns, Hospital Director, London Bridge Hospital, 27 Tooley Street, London SE1 2PR. Telephone: 01-407 3100.

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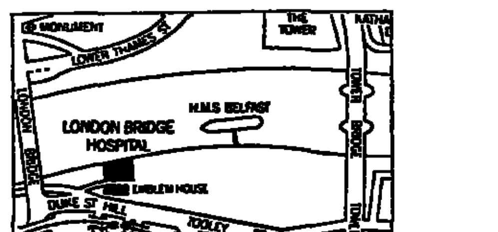

Directors' salaries rise 'faster than workers'

By David Brindle

TOP-PAID directors of 24 leading UK companies received salary increases averaging 28.5 per cent in 1986-87, according to a survey by the independent Labour Research Department (LRD).

At the same time, the survey says, the companies awarded their lowest-paid workers basic pay rises averaging only 5.5 per cent.

LRD, which is funded mainly by trade unions, says the pay gap between the boardroom and the shopfloor is widening. Last year the corresponding figures were 17.6 per cent for directors and 7 per cent for the lowest-paid workers.

LRD, commenting on its 1986-87 figures, says: "These sorts of increases, coupled with the massive rises in profits, will mean growing pressure on private-sector company settlements next bargaining round and, with pay in the public sector tipped to become a burning issue, negotiators can expect higher percentage increases."

The salary increases to the highest-paid director in each of the 24 companies included 100.5 per cent at Allied Lyons, the food group, and 100.7 per cent at Woolworth, the store chain.

The increase in total directors' pay is said to have been 48.9 per cent at Allied Lyons and 25.3 per cent at Woolworth. Counting all 24 companies, the average rise in total directors' pay is put at 16.2 per cent.

Bargaining Report 65. LRD Publications, 78 Blackfriars Road, London SE1 8HF. £37.

Schroder sets up £80m venture capital fund

BY CHARLES BATCHELOR

SCHRODER VENTURES, part of the Schroder banking group, has set up an £80m venture capital fund, the largest fund to be raised for investment in the UK.

British and overseas institutions have offered to invest a total of £125m in the fund, known as Schroder UK Venture Fund II, but applications have had to be scaled down. Funds of that size could have been invested readily enough, but Schroder Ventures did not have a large enough management team to monitor their progress, Mr Nicholas Ferguson, the chairman, said.

The size of the new fund confirms the strong interest among institutions for equity investments in unquoted companies. The buoyancy of the stock market has meant that many small companies have been able to move to a Stock Exchange listing.

The funds will be invested at about £20m a year over the next four years in a wide range of mainly British ventures, from start-ups to more established companies.

Schroder Ventures initially began sounding out potential investors before the general election.

Non-UK investors have put up 25 per cent of the money. They come from the Continent, North America and the Far East, including a number of Japanese trading companies.

Schroder Ventures launched its first UK fund - of £25m - in 1985 and that is now fully invested. It also manages a £75m fund specialising in UK management buy-outs.

Larger funds have been launched to invest in management buy-outs, which frequently involve large, well-established companies, but Schroders believes its venture capital fund is the largest of its type, followed by a £36m fund established by Alan Patricof Associates.

Dow Corning promises Welsh silicon investment

BY ANTHONY MORETON, WELSH CORRESPONDENT

AN ASSURANCE that Dow Corning, a Michigan company, would continue to invest in its silicon plant at Barry to stay ahead of the competition has been given by Mr John Ludington, its chairman, at the south Wales factory.

Pointing to the success enjoyed by the works, the company's only production unit in Europe, Mr Ludington said Barry had "set new global production standards".

He was speaking at the completion of the first phase of a 10-year £105m investment programme to consolidate the company's position as a leader in silicons.

Mr Peter Walker, Secretary of State for Wales, said that Dow Corning was an example of the sort of investment the principality wanted to attract.

Wales intended to convince US and Far Eastern businesses in particular that it was their ideal location for the European market.

Dow Corning instituted its £105m investment programme in 1979 with the aid of government regional grants amounting to £18.25m. The first stage, costing £80m and designed to set up modern basic facilities for silicon production, has been completed.

US airline plans Manchester to New York route

By Michael Donne, Aerospace Correspondent

AMERICAN AIRLINES, one of the world's biggest airlines, is seeking approval from the US and UK Governments to start daily scheduled air services between New York and Manchester next summer.

The airline already flies between Chicago and Manchester. It would compete on the route with British Airways, which runs four times weekly.

Mr Wesley G. Kaldahl, American's senior vice president, international routes, said he was delighted with the progress of the Chicago-Manchester service.

Crackdown on benefit fraud 'pays dividends'

Financial Times Reporter

THE GOVERNMENT'S effort to curb unemployment benefit fraud is paying "very good dividends", Mr John Lee, Employment Minister, said yesterday.

He said 118 despatch riders in London were to be prosecuted for claiming unemployment benefit while working. Some of them are alleged to have been earning £300 a week as well as claiming an average of £38 benefit.

Mr Lee said a further 100 despatch riders had since stopped claiming benefit.

Teams of Department of Employment officials have now moved into London Heathrow Airport to investigate taxi drivers, catering and cleaning workers.

The exercise will last for the next six weeks but might continue for several months if evidence of large-scale fraud is found.

Mr Lee told a London press conference that more than £40m was saved last year by investigators, and the figure for the first quarter of this year was more than £12m.

Almost 60,000 people withdrew benefit claims after their cases were investigated last year, and the figure for the first quarter of this year was already 18,500.

Mr Lee said: "I have no doubt that the great majority of claimants are honest and above-board but there are still too many people abusing the system.

APPOINTMENTS

Changes at Midland Bank

Mr Michael J.Fuller has been appointed deputy chief executive of the MIDLAND BANK. He will be responsible for the branch network, agricultural business, marketing and product delivery. He was UK operations director, where he is succeeded by **Mr Graham B. Cooper**. Mr Cooper will have responsibility for regional organisation. He returns from the US where he was an executive vice president of Bracton Corporation. **Mr David J. Mills** has been appointed information technology director. He was regional director, south east, for retail banking. **Mr J. Christopher Wathen** has been appointed payments services director, responsible for cash, cheques, plastic cards and electronic funds transfer. He was card products director. **Mr A. E. Robinson** becomes administration director. He was financial director, retail banking.

*

THE INTERNATIONAL FINANCE CORPORATION has appointed **Mr Giovanni Vacchelli** to succeed **Mr Hans Pollan**, who is retiring, as special representative in Europe (London). Mr Vacchelli, an Italian, joined the IFC in 1970 from the World Bank and in 1979 became director of the Latin American investment department. **Mr Irving Kuczynski** has been apointed director of the corporate *promotion and syndications* department to succeed Mr Vacchelli. A British national, Mr Kuczynski was manager of the IFC energy unit.

*

THE BODDINGTON GROUP has appointed **Mr Denis Cassidy** as a non-executive director. He is deputy chairman of Storehouse and chairman and chief executive of of BHS. He is also a non-executive director of BAA. **Mr Sam Whitbread** has retired from the board. This has become necessary because of Mr Whitbread's other business commitments, particularly as chairman of Whitbread & Co. **Mr Martin Findlay**, vice chairman of Whitbread, will continue as a director of Boddingtons.

*

Mr Kevan Lim has been appointed deputy chairman of *MANCHESTER AIRPORT*. He is sales director of a Bradford travel company, and a Manchester City councillor.

*

Mr Keith J. Payne has been appointed an executive director of ELECTRONIC R ENTALS GROUP with special responsbility for strategic planning.

*

THORPAC GROUP has appointed **Mr Ken Hamilton**, previously home sales manager of Crown House Tableware, as sales director. *Mr Michael Eliot*, has been promoted to marketing director.

*

YAMAICHI INTERNATIONAL (EUROPE), UK subsidiary of one of the "Big Four" Japanese securities houses, has appointed **Mr David Butler** as executive director and head of UK and European equity sales. He was head of the international desk at Credit Suisse Buckmaster and Moore.

*

SINGAPORE PRESS HOLDINGS has appointed **Mr John Armour** to the board of one of its UK companies, The Straits Times Press (London). He was advertising director of another subsidiary, Far East Trade Press in Hong Kong, prior to returning to the UK as regional director Europe.

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(Incorporated with limited liability in the Netherlands Antilles)

FRF 400,000,000

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For the Interest Period from 16th September 1987 to 15th December 1987 each Note will bear interest at a rate calculated pursuant to Condition V (c) of the Notes, equal to 8.13% per annum. The Coupon Amount shall be FRF 205.51 for each Note of FRF 10,000 nominal amount and FRF 2055.08 for each Note of FRF 100,000 nominal amount.

The Interest Payment Date with respect to such Coupon Amount shall be 15th December 1987

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By: BANQUE INDOSUEZ, Agent Bank

NOTICE TO THE HOLDERS OF BANK OF TOKYO (CURACAO) HOLDING N.V.

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NOTICE IS HEREBY GIVEN that the new address of the Bank of Tokyo (Holland) N.V. acting as paying agent for the above-mentioned issue is the following:

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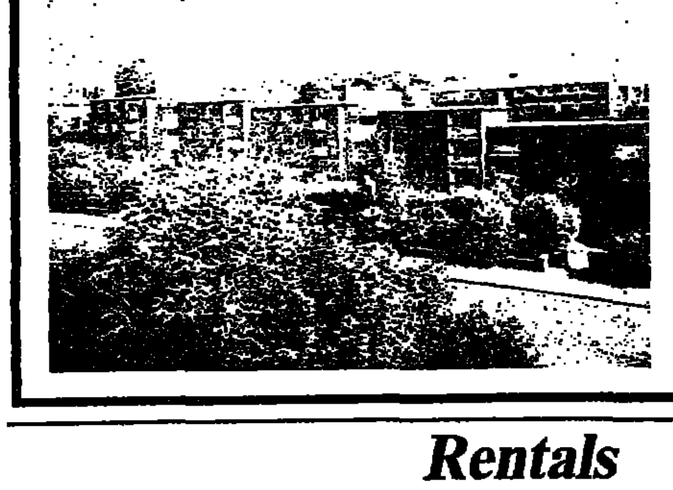

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Company Notices

NEW KLEINFONTEIN PROPERTIES LIMITED

(Incorporated in South Africa)
(Reg. No. 01/00854/06)

PROFIT ANNOUNCEMENT

FINANCIAL

The audited results of the Group's operations for the year ended 30 June 1987, are as follows:

INCOME STATEMENTS	30 June 1987	30 June 1986
	R000's	R000's
Turnover	2 555	3 316
Operating Income	1 547	2 521
Dividends	400	325
Net Profit before tax	1 947	2 846
Taxation	788	1 236
Net Profit	1 159	1 610
Outside shareholders share of loss in subsidiary	1	1
Profit attributable to ordinary shareholders before extraordinary item	1 160	1 611
Extraordinary item	4 665	—
	5 825	1 611
Transferred to non-distributable reserve	4 665	—
	1 160	1 611
Retained income brought forward	3 114	1 945
	4 274	3 556
Dividends	482	442
Retained income	R3 792	R3 114
Earnings per share (cents)	57.7	80.2
Dividends per share (cents)	24.0	22.0
Dividend cover (times)	2.4	3.6

DECLARATION OF FINAL DIVIDEND

NOTICE IS HEREBY GIVEN that Dividend No. 87 (Final) of 14 cents per share (1986—13 cents) for the year ended 30 June 1987, has been declared payable to holders of ordinary shares registered in the books of the company at the close of business on 2 October 1987, and to persons presenting Coupon No. 187 detached from Share Warrants to Bearer. Warrants in payment will be posted from the Johannesburg and London offices on or about 21 October 1987, to members at their registered addresses or in accordance with written instructions received and accepted by the company on or before 2 October 1987.

Non-resident shareholders' tax at the rate of 15% will be deducted from dividends payable to members whose addresses in the register of members are outside South Africa.

The conditions applicable to this dividend can be inspected at the Johannesburg and London offices of the company.

ENCASHMENT OF COUPON No. 187

The dividend on shares included in Share Warrants to Bearer will be payable on or after 23 October 1987 to the persons presenting Coupon No. 187 at the London Office, 8/16 Earl Street, London EC2A 2NA or at the office of Credit Du Nord, 6-8 Boulevard Haussmann, 75009 Paris. Coupons presented at the London Office must be deposited four clear days before being paid and unless accompanied by Inland Revenue declarations, they will be subject to deduction of United Kingdom Income Tax.

NOTICE OF NINETY-FIRST ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the ninety-first annual general meeting of members will be held in the board room, 2nd Floor, AFC House, 25 Wellington Road, Parktown, on Wednesday, 14 October 1987 at 9.00 a.m.

J W MACKENZIE
G FISCHER
Directors

Registered Office:
AFC House,
25 Wellington Road,
PARKTOWN 2193

London Office:
8/16 Earl Street,
Finsbury Square,
LONDON EC2A 2NA

Transfer Secretaries:
Central Registrars Ltd.
154 Market Street,
JOHANNESBURG 2001

16 September 1987.

RAND MINES GROUP

NOTICE IS HEREBY GIVEN that the annual general meetings of the undermentioned companies will be held in the auditorium, lower ground floor, The Corner House, 63 Fox Street, Johannesburg on the dates and at the times shown:

Name of Company (both of which are incorporated in the Republic of South Africa)	Date of Meeting	Time of Meeting	Closure dates of Registers of Members (inclusive)
Blyvooruitzicht Gold Mining Company, Limited	16th October 1987	12h00	12th to 16th October 1987
Harmony Gold Mining Company, Limited	16th October 1987	11h00	13th to 17th October 1987

Registered Office:
15th Floor, 63 Fox Street,
Johannesburg 2001
(P.O. Box 62370
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Severn-Trent backs plans for privatisation

BY RICHARD EVANS

SEVERN-TRENT, the second largest of the 10 water authorities in England and Wales, has come down firmly in favour of the Government's controversial proposals for privatisation of the water industry.

The decision, announced in London yesterday, confirms the major divisions in the industry over the Government's plan to set up a state-controlled quango, the National Rivers Authority, to take over regulatory and water management powers from the authorities prior to flotation.

All 10 authorities meet today to consider their joint response to the Government's proposals, published last July in a green paper. With the exception of Severn-Trent, all are expected in varying degrees to be critical of the plan.

Most fear that the NRA will be an unwieldy body likely to destroy the much-prized concept of the integrated river basin, under which the authorities control all functions from the collection of rainwater to disposal of effluent.

Mr John Bellak, chairman of Severn-Trent, and his board rejects that view. They argue that the Government's proposals offer "a practical and workable solution to the management of water services in the best interests of customers, the environment, the industry and those who work within it."

John Bellak: privatisation plans practical and workable

Mr Bellak's views, although not unexpected, will come as a relief to Mr Nicholas Ridley, the Environment Secretary, after the widespread attacks on the Green Paper from within the industry. The Government is understood to be willing to consider amendments to its plans, but to insist that there is no alternative to the NRA if privatisation is to go ahead.

In Mr Bellak's opinion, the NRA plan would be satisfactory for the industry because it would retain integrated policy-making for river catchments - a view queried by other chairmen - while freeing the utility operations from political and bureaucratic interference.

He urged ministers to reach quick decisions on the detailed scope of the NRA and the proposed activities of the privatised water undertakings, preferably by the end of the year. That would enable any difficulties to be overcome well before the earliest flotations expected at the end of 1989.

Severn-Trent also rejects the view, widely expressed in the industry, that the NRA would mean a big increase in staff. The vast majority of employees, it argues, would be transferred from doing the same job with the authorities prior to privatisation.

More details of the Government's plans could come on Friday at a privatisation conference in London to be addressed by Lord Belstead, the Environment Department minister with responsibility for the industry; Mr Roy Watts, chairman of Thames Water; and Mr Gordon Jones, chairman of the Water Authorities Association.

Andrew Taylor reports on how France is tapping into the latest plans for privatisation

French companies acquire a taste for British water

FRANCE'S largest water supply company has joined other leading private French water companies queueing up to take advantage of plans to privatise Britain's water industry.

Compagnie Generale des Eaux, which supplies water to more than 20m people in France, disclosed on Monday that it had acquired strategic stakes in two British statutory water companies.

It becomes the third French group to announce British investment plans ahead of the proposed privatisation of the 10 English and Welsh regional water authorities.

The French companies believe their experience in operating private water services, in their own country, will put them in a good position to join British companies to provide similar services in Britain.

Two French groups - the other is Bouygues, the world's biggest construction group - have acquired stakes in some of the 29 quasi-independent statutory water companies in England and Wales which operate alongside the 10 regional authorities.

Bouygues, which owns SAUR, the third largest French water company, has, jointly with Trafalgar House, the British construction, property, shipping and hotels group, acquired a 22 per cent stake in Rickmansworth Water company.

Compagnie Generale des Eaux has taken stakes of 18 per cent in Lee Valley Water, which serves parts of Herts, Essex and north London, and of 19 per cent in North Surrey Water. Bouygues and Trafalgar House have also acquired minority stakes in Lee Valley and North Surrey.

The statutory water companies expect to be able to apply to become public companies under the privatisation plans. Until then, the strategic value of establishing a foothold in the water industry is more attractive to French and British groups investing in them than the promise of immediate financial rewards.

The 29 statutory water companies supply water to about a quarter of the population, under agreements with regional water authorities under the 1974 Water Act. They employ about 8,000 people.

They are run mainly for the benefit of consumers. Returns to investors, mostly institutions, are fixed, modest and strictly regulated by the Environment Department.

Bouygues and Trafalgar House, for example, get a fixed annual return of just 3½ per cent for the £200,000 they paid to acquire 189,000 consolidated ordinary shares in Rickmansworth.

More importantly they will gain experience of operating water supply plants in Britain and establish, early on, their credibility in the market.

Another French water company, Lyonnaise des Eaux, has formed a joint venture with John Laing, the British construction group, to identify investment opportunities in Britain but so far that has not included taking a stake in a statutory water company.

Lyonnaise des Eaux, Compagnie Generale des Eaux and SAUR are the three largest privately owned water companies in France. Private companies supply about 70 per cent of France's water and have been operating since 1853 when Compagnie Generale des Eaux, the oldest and biggest of the private water companies, was formed.

Profits made from water services have enabled companies such as Generale des Eaux to diversify into construction, municipal services and cable television.

The group has used its considerable cash resources to take stakes in several recently privatised French companies.

French companies claim the British industry will benefit from their experience and expertise in making profits from privately owned water utilities in France but say that to be successful they will need to co-operate with British partners.

They will also expect British water companies to become much more commercially orientated.

That might mean changes in the the way in which people pay for water in Britain. French companies find it hard to understand how charges could be made on any other basis than on how much water is consumed.

In France all homes have water meters and people are charged according to how much water they use. In Britain domestic water bills are calculated according to the rateable value of homes.

The British system is likely to change when domestic rates are abolished and community charges introduced. Water meters are being introduced as an experiment in 11 areas in England and Wales, the largest being the Isle of Wight.

Such companies as Bouygues and Trafalgar House would hope that a privatised water industry would be able to provide increased work for their construction interests as well as a share of the profits from sales of water services to the public and industry.

First education technology centre launched in Cardiff

BY ANTHONY MORETON, WELSH CORRESPONDENT

BRITAIN'S first technology centre was launched in Cardiff yesterday, the first of seven to be set up before the end of the year.

The technology centres were announced by Mr Kenneth Baker, Secretary of State for Education and Science, last November. They are intended to be collaborative projects between higher education institutes and industry which will identify training expertise and needs.

One of the other six centres has been allocated to the west of Scotland, where it will be run by Glasgow University, further education institutes and industry. The remainder will be shared among the English regions.

The Department of Education and Science said yesterday that all the centres would be named by the end of the year and in operation by autumn 1988.

The Wales Technology Centre will be managed by Wintech, the technology arm of the Welsh Development Agency, which was chosen because of its wide knowledge of industry and university life in the country. Its full-time co-ordinator will be Dr Glyn Owen Thomas.

The centre has been set up with £100,000 in funding from the Pickup (Professional, Industrial and Commercial Updating) programme.

Pickup is the scheme by which colleges, polytechnics and universities make a commitment to working with adult training. It is financed by the Manpower Services Commission jointly with the Welsh Office in Wales and the Scottish Office and DES in Scotland and England.

Dr Lionel Walford, director of the MSC's Welsh vocational education and training group, said the centre would "provide a source of training, so that companies can take full advantage of technology to improve their productivity and competitiveness in world markets."

Launching the centre, Mr Ian Grist, parliamentary secretary at the Welsh Office, said its aim was to "promote better understanding of training needs and to encourage technology transfer."

Mr Grist said that although the first thrust of the scheme would be in South Wales, he hoped it would be extended to North Wales as it developed.

Royal to sell car insurance direct

BY NICK BUNKER

ROYAL INSURANCE, the biggest UK-based non-life insurer, is to break new ground among composite insurers by launching a company to sell motor policies directly to consumers via newspaper advertising.

The operation, to be based in Bristol, will be called The Insurance Service. It has been set up by Royal Insurance UK, Royal's Liverpool-based British subsidiary, but will operate independently.

The move comes when so-called "direct writing" of motor insurance, cutting out insurance brokers and other intermediaries, appears to have been gaining UK market share.

In particular, in recent years, Royal Bank of Scotland has launched a direct writing insurance operation which goes straight to the consumer.

Mr Roger Prideaux, of Royal Insurance UK, said that at present only "a very small percentage" of the Royal's private motor business - which accounts for annual premiums of about £100m - was sold direct by the company.

Royal Insurance UK will continue to sell via brokers and other intermediaries, with the new company offering an alternative service to customers who are happy to buy policies through the post or over the telephone.

The key attraction to insurers of selling direct via newspaper advertising is that it eliminates brokers' commissions and branch overheads.

Direct writing - especially of motor and household insurance - is already a long-established feature of the US insurance industry, where the biggest company, State Farm, is a direct writer that has achieved partial dominance of the motor market.

Mr Prideaux said, however, that it would be wrong to draw too many comparisons with the US, because of differing market conditions.

The Royal said the Bristol operation would begin test marketing services in the north of England next month, followed by a national press and television launch in the first quarter of next year.

Mr Peter Duerden, Royal UK's managing director, said there was "clear evidence that the marketing and methods of distributing insurance are undergoing change."

Manufactured exports by Scots companies fall

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

MANUFACTURED exports by Scottish companies fell by about 10 per cent in real terms last year, while those of the UK as a whole stayed roughly the same.

Exports totalled £5.25bn last year compared with £5.65bn in 1985. Those for the UK as a whole rose from £57.6bn in 1985 to £59.4bn last year.

The Scottish Council Development and Industry which compiled the figures by means of a survey of companies, used an inflation rate of 3 per cent to 4 per cent in arriving at its estimate of a 10 per cent decline in real terms for Scottish exports.

The figures complement other evidence of the poor performance of the Scottish economy in 1986 during which it failed to enjoy the recovery in the rest of the UK economy.

Virtually all categories of exports declined, with the exception of food, drink and tobacco, most of which is the whisky industry. This category reasserted itself as Scotland's biggest single export sector, with sales of £1.25bn compared with £1.2bn in 1985.

By contrast office machinery and data-processing equipment, which in 1984 and 1985 was the top selling category, due to the fast growth of the Scottish electronics industry, went back narrowly into second place. Its export sales totalled £1.24bn compared with £1.43bn in 1985, reflecting the 1986 recession in the electronics industry.

Exports of the chemical industry were down from £565.6m in 1985 to £472.8m last year.

Building materials sales rise

BY ANDREW TAYLOR

SALES OF building materials rose by 8 per cent during the 12 months to the end of July, underlining the continuing upturn in the British construction industry, according to the latest survey undertaken by the Builders Merchants Federation.

Mr Peter Gill, the federation's director, said the survey's findings were in line with a recent forecast which estimated that construction activity in the UK was likely to rise by 7 per cent this year.

The National Council of Building Material Producers, responsible for the forecast, said it was one of the most optimistic it had made since it began publishing its predictions

Mr Gill said that one encouraging feature of federation's latest survey was the first signs of a possible improvement in Scotland, although sales had still fallen after allowing for the effect of inflation.

Biggest gains over the 12 months to July were achieved in the East Midlands, where sales rose by 11.9 per cent compared to the previous 12 months, and in London and south east England, where sales rose by more than 10 per cent.

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Steel urges speedy progress towards merger

Reports by TOM LYNCH and RALPH ATKINS
Pictures by ALAN HARPER

MERGER talks between the Liberal and Social Democratic parties must be finalised as quickly as possible, Mr David Steel, the Liberal leader, told the Liberal Assembly in Harrogate yesterday.

His call, during an all-day debate on the proposed merger, produced a rapturous standing ovation from delegates. They also gave an enthusiastic ovation to Mr Charles Kennedy, the pro-merger SDP MP, and applauded warmly when Mr Robert Maclennan, the SDP leader, appeared on the platform.

Almost every delegate who went to the rostrum declared in favour of a merger. Even those who have previously opposed a merger outright concentrated on warning about its possible price in terms of the loss of Liberal values and identity.

As Mr Maclennan looked on from the platform, Mr Steel said: "It will take a brief period of decision to forge our new party. Serious deliberations are necessary and valuable in setting out our new direction.

"I beg you - let them be brief. Let the deliberators be locked in a room for a month if necessary, but let them get on with it.

"The economic and social problems of this country will not wait for us. If we want to be the means of their solution, if we want to be the hope of millions, then the sooner we turn our energies outwards the better."

Mr Steel was also unrepentant about the call for discussion on the possibility of merger which he issued within days of the general election - an action widely condemned within the SDP as having "bounced" it into talks.

"I make no apologies for turning the attention of both parties immediately after the election to our future together. "Throughout the campaign the electorate was asking - why two conferences, why two policy-making bodies, why two leaders? It is intolerable to pretend it was not so."

Mr Steel referred to "mistakes" during the election campaign, such as the stress on the balance of power and "hinting at even possible coalition with Mrs Thatcher" - both tactics associated with Dr David Owen, the then SDP leader.

"In case you think I am getting at someone else, I accept my share of the blame. My own attempts to correct these defects were less than brilliantly successful."

He urged Liberals not to "play the press game" of speculating on the merged party's future attitude to those like Dr Owen who refuse to join it. "That will be for the new party in the constituencies to decide what they do when the time comes."

Instead, said Mr Steel, efforts should be directed at winning over the 43 per cent of SDP members who voted in the recent ballot against merger but in favour of closer links with the Liberals.

Mr Kennedy also argued that the fate of the Owenites should not be a priority. "Let us concentrate on the positive aspect of establishing our entity rather than be distracted at this stage by the prospect of eliminating theirs."

He urged the use of example and persuasion rather than forcing people into positions they did not wish to take. Such tactics ran the risk of alienating many of the SDP minority, who might otherwise be won over to the new party.

The merger talks must not consist simply of a search for compromise, he said. "We must go in determined to seek creation between the two parties of something new, something viable, something better."

Delegates from the constituencies of the anti-merger SDP MPs also urged restraint towards the Owenites. Ms Doreen Goodwins, chairman of Plymouth Devonport, appealed for Dr Owen not to be opposed, and predicted that he would hold the seat whatever banner he stood under.

Mr Edward Randall, from the Greenwich party which covers the constituencies of Mr John Cartwright and Mrs Rosie Barnes, bluntly warned senior Liberals to stop making statements about whether or not the MPs should be opposed. "We will decide in our own good time what candidates to put up at future parliamentary elections."

Ms Beth Graham (Skipton), who has played a leading role in the small anti-merger movement, said she was not against the creation of a new party if it was a Liberal party. However, it was unlikely to be identical otherwise SDP members would simply have joined the Liberals.

Before the Liberal Party went out of existence, she urged delegates to 'think very carefully because we have something extremely precious and before we give it up we have to be deadly certain that what we are getting is what we really want.'

Mr Clement Freud, who lost his parliamentary seat at Cambridgeshire North East in the election, said he was firmly in favour of merger.

"If we did not need a new party we would not be here talking about it. We would be running the country," he said.

Mr Tim Clement-Jones, party chairman, set out a series of national executive recommendations on how negotiations should proceed. These included a possible timetable and suggestions for the size of negotiating teams.

It was vital, he said, for a new constitution to be drawn up carefully. "It must both meet a tight timetable and allow for full involvement and consultation of members."

Delegates from Wales and Scotland argued for separate negotiations between their regional parties and local Social Democrats, and for any new constitution to have a federal structure devloving some responsiblity for policy formulation.

PROCEEDINGS in the merger debate were briefly interrupted when a delegate condemened as "disgusting" the number of anti-merger delegates who had been called to speak.

Ms Claire Brooks, the unsuccessful Liberal candidate in Lancaster at the general election, said, on a point of order, that only three speakers all day had spoken against forming a new party.

In reply, Lord Tordoff, chairman of the debate, said the speakers called reflected a cross-section of those who wanted to address the assembly.

David Steel on the rostrum with president-elect Adrian Slade

Beith stresses theme of free enterprise

A STRONG desire for a clearer presentation of Liberal principles came through in the section of the merger debate devoted to the place of Liberal values in any new party.

Mr Alan Beith, the party's deputy leader, said that Liberals had "scores of policies in prodigious detail. It is time we concentrated on capturing the political debate with the broad themes that will make our policies attractive."

The primary theme for Liberals to take into the new party was freedom. Mr Beith did not need lectures from Conservatives about free enterprise - Liberals had always been in favour of it. However, he said: "We do not see the market as the limit of our aspirations for this country. It is a mechanism, not our whole philosophy."

He called for more emphasis on wider share ownership, but objected to "those forms of privatisation that weaken the consumer and make a free market impossible."

Mr Beith said it was also important to "make sure that never again is this party accused so wrongly of not caring about the defence of freedom."

Mr Richard Holme, a former party president, called for a "new realism" in the Alliance. "That doesn't mean adopting Thatcherism but it does mean moving on from Thatcherism. We should not be the ones trying to put society into reverse - the Labour Party is quite capable of doing that.

"If we are going to compete with Labour it does not mean that we have to be like Labour. We don't want a better collectivism than Labour. What we need is a better individualism than the Tories."

In the rethink of Liberal policy, there should be no sacred cows. For example, he suggested that Liberals should concentrate on profit-sharing in the private sector rather than "tinkering with gadgets like the counter-inflation attacks."

Lord Hooson urged the setting up of a think tank to answer the changes brought about by Thatcherism. "Radical thinking on the right must be matched by radical thinking on the left.

"The greatest weakness of the party is it hasn't got in the public mind coherent themes that are clearly identified with the problems of this country."

Mr Simon Hughes, MP for Bermondsey, called for a "responsible freedom" which recognised that the earth's resources were in the "stewardship of the human community as a whole" and benefited the poor as well as the wealthy.

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Owen's supporters denounced as 'a bunch of careerists'

ANTI-MERGER Social Democrats, led by Dr David Owen, were branded "a bunch of careerists" and the system of dual leadership was vociferously attacked in an assembly debate on the Alliance election campaign.

There was widespread agreement that the Liberal and Social Democratic parties could not continue with separate identities and a new party would offer the opportunity for a fresh start.

Speakers avoided confining themselves to a discussion about the campaign, repeatedly arguing that the lessons learnt made a merger of the two parties inevitable.

Mr Cyril Smith, MP for Rochdale, who was greeted with warm applause, urged Liberals to have the courage and vision to think not in terms of a merger but of creating something new.

Liberals, he said, should not "chicken out" of merger talks at this stage as the prize waiting was a party incorporating the values Liberals stood for.

"Negotiations will set us out on a voyage to a promised land," he declared. However he said that if the talks failed the Liberals should divorce themselves from the SDP.

"The general election clearly demonstrated the need for one leader leading one party," he said, cautioning that there should be "no more national carve-ups of seats - whatever happens."

Mr William Wallace, a member of the Liberal policy committee, made a vitriolic attack on Dr David Owen and his supporters for obstructing agreement on policy since the SDP was set up in 1981. "I, and others, bare the scars of those six years trying to find the common ground - knowing it was there but being frustrated by a bunch of careerists," he said.

He accused the former SDP leader of hijacking the Alliance for his own ends. He thought Liberals ought perhaps to have challenged the Owenites more vigorously in policy debates because there was little that fundamentally divided them.

The two-leader system, Mr Wallace said, had cost many votes in the general election. "We are more than half way towards merged political parties already. We have got to go all the way down that road."

Mr Alan Watson, a former party president and member of the Liberal national executive, said television coverage of the Alliance during the election had been a disaster. It had focused attention on differences between the two leaders and the effect on the choice of partners in a hung parliament.

"It was the politics of Alice in Wonderland where mythical creatures discussed the hypothetical consequences of illusory actions they were never to take," he said.

"People knew that we had not got our act together, that we were not ready to form a government neither were we ready to hold the balance of power."

However some support for Dr Owen came from Mr Des Wilson, Liberal president, who helped organise the Alliance national campaign.

The SDP leader, he said, had been as much a victim of the circumstances as the Liberals. "We have to be fair and acknowledge that, if the system was not working for Liberals, it was not working for him and the SDP either."

But he believed the election had proved the necessity of a merger. Repeating part of his speech to the SDP conference in Portsmouth, he told delegates: "Political parties are vehicles for greater causes that their own survival."

Mr Alex McGivan, SDP national organiser during the election, said a merger offered the challenge of creating a new party that would take Liberals and Social Democrats into the 21st century. Everyone would have to make some sacrifices but the fundamental principles of Liberals would remain intact.

"No Social Democrat is asking any of you to sacrifice the values, hopes and ideals that brought you into politics," he told delegates.

Peter Riddell on a delicate problem for a new party

Initial difficulty in a name

WHAT'S IN a name? An undercurrent throughout the merger debate has been the sensitive issue of what any new party should be called.

There is the question of party pride, as well as legitimacy. Liberals and Social Democrats both argue that their existing names should be included in the new title, to maintain the continuity of the parties' traditions and values.

Moreover, the pro-merger majority in the SDP wants to retain part of its existing name to prevent it being used by any independent Social Democrat group led by Dr David Owen.

There have been a number of consequent suggestions. Leading Social Democrats like Mr Roy Jenkins favour the retention of the word Alliance to demonstrate continuity with the partnership between the two parties over the past six years. This, they believe, could be coupled with a longer title incorporating the Liberal and SDP names.

Most Liberals are sceptical about retaining the word Alliance, since they argue that it has been discredited during the arguments of the past six months and would anyway be a reminder of separatism. After all, the word implies a linking of two distinct parties which would become meaningless.

The favourite Liberal title (suggested at times by Mr David Steel) is Liberal Democratic, or Democratic Liberal. There are snags here since particular variants of Liberal and Democratic used by parties on the Continent are regarded as being on the right of the political spectrum. SDP leaders also want to retain Social along with Democratic somewhere.

As a further twist, some leading Liberals are keen to carry out a marketing exercise to test public attitudes to the words Alliance and Democrats - an approach which appals the traditionalists.

Some participants believe the answer could be a long title incorporating both names and a short title which might in time become better known. During yesterday's debate, Mr Philip Goldeberg suggested Democrat.

However, Democrat sounds too gimmicky and American to many and similar objections apply to Radical or Progressive.

This is not a new debate. In the late 1970s the Liberals considered altering their title to a variant of Democratic Liberal or Liberal and Social Democratic to appeal to the first Social Democrat breakaway, Mr Dick Taverne, with his party originally based on Lincoln, and to Mr Roy Jenkins after his departure as head of the EEC Commission to Brussels.

Liberal and Social Democratic looks an obvious compromise title, though it could easily be shortened to the initials, LSD, which might have unfortunate connotations for a party seeking to be new and to put behind it memories of the 1960s and 1970s.

Study of City favoured

THE ASSEMBLY is likely to set up a two-year study into the operation of the City.

A policy discussion group yesterday produced a 300-word motion to go before delegates tomorrow calling for a working party to produce policy proposals on takeover and merger criteria, and trends in ownership.

The motion highlights "the overriding requirement to persuade the City, government and industry to have proper regard for the longer term needs and interests of the community."

Grimsby's gospeller fails to find mark

"HE WHO DARES wins." That, at least, must be the theory behind yesterday's lunchtime raid by Mr Austin Mitchell, the Labour MP, deep into the Liberal heartlands of Harrogate.

Mr Mitchell was in town to preach 21st century socialism under a Fabian Society banner and to beseech his political opponents to see the light, shed the perfect but powerless purity of third party politics and join forces with Labour in a crusade to kill off Thatcherism.

For a moment, the numbers attempting to squeeze into a room reminiscent of the legendary (now extravagantly roomy) SDP parliamentary party telephone box suggested that the much talked about realignment of the left was nigh.

But it soon transpired that most of Mr Mitchell's enthusiastic audience had come to admire his brass-neck nerve and to heckle, rather than to swallow the gospel as seen from Grimsby.

His one-man crusade to save political souls is fast becoming a regular attraction at Liberal rallies and this year he also took the message to Social Democrats at Portsmouth, although he says he felt more like an undertaker than a preacher.

Mr Mitchell claimed he was not interested in presidential platitudes and was happy to leave that sort of thing to Mr Paddy Ashdown, the Mandarin-speaking MP for Yeovil, who might just get a boost further in British politics than the member for Grimsby.

His message was simple, if not exactly taken to the bosom of his bemused audience. Only Labour, he urged, could provide the political leverage for change and it was up to the enemies of Thatcherism to work together to bring about its end. They would only ensure its continuation by wringing each other's necks.

Third party politics, he dared to suggest, represented little more than "a bucket to spit in," even if it was platinum-plated for the likes of Mr Roy Jenkins. Its followers were perpetually trimming sails, abandoning ideals, shifting with populist winds but nevertheless doomed to hit the rocks of electoral mistrust.

His dire forebodings found considerable support, though only on the basis that Mr Mitchell was unwittingly describing the ultimate fate of his own, dear party.

Sure enough, he quickly reinforced those suspicions by stressing that Labour was after power and if, in order to win it, that meant it had to shift ground to espouse the politics of consumerism and individualism so close to Liberal hearts then it would do so.

Labour, he claimed, had done its very best in 1983 to give the Alliance a chance but its opponents would get no such opportunity again. His party - "a nice, kind party which is anxious to help the underdog" - was not about to throw itself on the funeral pyre of doctrinaire socialism.

All of which, apparently, meant that Labour would inevitably become more like the Liberals and vice-versa. In their attempts to replace each other they would both find themselves shifting on to the same territory.

The Liberals, he stressed, could not afford to indulge in any further "irrelevant posturing." Labour was the only practical alternative to the current Tory regime and the sooner the Liberals realised it and embraced it, the better.

Failure to grasp the message, he added, meant Mrs Thatcher would be laughing all the way to 1991. Most of his audience were last seen laughing all the way to the bar.

Michael Cassell

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Subject to approval of the proposed final dividend of 18.0p net per fully paid Ordinary share at the Annual General Meeting to be held at the Hotel Inter-Continental, 1 Hamilton Place, London, W1, on Wednesday, 4 November 1987 at 11.00 a.m., the dividend will be paid on 1 December 1987, or at the expiration of six clear days after lodgement thereof, whichever is the later, to holders of Coupon No. 143 detached from Ordinary Share Warrants to Bearer.

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Details of the Scrip Dividend Scheme will be circulated to Ordinary shareholders on 16 October 1987 and may be obtained by holders of bearer shares from either the Company, at the address shown below, or the Company's Registrar, Lloyds Bank Plc, Goring-by-Sea, Worthing, West Sussex BN12 6DA. Holders of bearer shares who wish to make an election in respect of the above dividend must convert their shares into registered form by 9 October 1987.

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What managers' pay buys in different lands

BY MICHAEL DIXON

HERE ARE the Jobs column's latest indicators of the buying power enjoyed by executives doing similar jobs in different countries.

The figures in the table come from the survey made each year by the Employment Conditions Abroad consultancy. They are based on the regular pay typically received by managers working at three successively higher levels of responsibility found in big organisations around the globe.

Of the three, the lowest is represented by the first pair of columns of figures and designated "Level One". Managers at this rank are exemplified by the head of a function such as finance or marketing in a single subsidiary of a large group. Level Two signifies the head of an equivalent function across a division of several subsidiaries. The highest of the ranks, Level Three, corresponds to the chief of marketing or whatever throughout the entire group.

The ECA consultancy operates as a trade association supplying its international-company suppliers with detailed information on going-rates of pay and perks in about 75 countries. Since my table is confined to only 18 of them, anyone wishing to know more should contact Sue Winterbottom at Anchor House, 15 Britten Street, London SW3 3TY; telephone 01-351 7151, telex 299751 Eureca G.

Country	Level One = head of function in subsidiary 1987 £	(1986) £	Level Two = head of function in division 1987 £	(1986) £	Level Three = head of function in group 1987 £	(1986) £	% rise from Level One to Level Three 1987	(1986)
United States	27,650	(25,559)	36,600	(33,471)	49,430	(44,843)	78.8	(75.4)
Switzerland	28,790	(27,161)	37,450	(35,243)	48,810	(45,859)	69.5	(68.6)
West Germany	24,970	(25,184)	33,225	(33,195)	43,830	(43,470)	75.5	(72.6)
France	23,300	(24,364)	31,860	(33,217)	42,500	(44,813)	82.4	(83.9)
Italy	21,810	(20,387)	30,770	(28,019)	41,370	(37,509)	89.7	(84.0)
Canada	23,810	(23,098)	30,390	(29,361)	38,440	(38,395)	61.4	(66.2)
Spain	19,550	(18,443)	25,800	(24,377)	31,610	(30,501)	61.7	(65.4)
South Africa	18,510	(17,620)	23,640	(22,259)	31,300	(28,869)	69.1	(63.8)
Australia	18,320	(16,805)	22,970	(20,333)	29,210	(25,020)	59.4	(48.9)
Netherlands	19,110	(17,855)	23,450	(21,805)	28,040	(26,259)	46.7	(47.1)
United Kingdom	17,340	(15,322)	22,090	(19,758)	27,480	(25,440)	58.5	(66.0)
Belgium	18,500	(18,182)	22,970	(22,991)	27,320	(26,517)	47.7	(45.8)
Greece	13,670	(13,209)	17,950	(17,060)	22,800	(22,631)	66.8	(71.3)
Norway	14,960	(13,671)	18,190	(17,111)	22,440	(21,183)	50.0	(54.9)
Ireland	14,640	(13,784)	17,830	(16,750)	22,280	(21,476)	52.2	(55.8)
Denmark	12,660	(10,195)	16,300	(11,565)	21,560	(13,322)	70.3	(30.7)
Finland	12,330	(11,967)	15,410	(14,967)	19,390	(19,028)	57.3	(59.0)
Sweden	10,330	(10,358)	11,730	(12,092)	13,540	(13,712)	31.1	(32.4)

To calculate the purchasing power of the three ranks of managers in each land, the consultancy first takes their typical basic salaries and extra cash earnings in bonuses which are fixed as distinct from varying with profits and so on. That gives a gross money rewards figure from which are deducted the tax, social-security and comparable outlays standard for a native of the country concerned who is married and has two dependent children.

The resulting take-home pay is then translated into buying power by reference to a variety of international studies of the costs of the styles of life characteristically adopted by people working at the relevant managerial ranks. The living-cost adjustments are at best very approximate because technical complications prevent the consultancy from taking account of differences in the prices of housing, electricity, gas and the like.

Finally the purchasing-power indicators are put into terms of sterling at the exchange rates prevailing at the time the survey is made - which in the case of the 1987 and 1986 exercises was early August.

There is unfortunately no room to include all the figures for gross and take-home pay on which the table's indicators are based. But I will cite as examples the level-three managers in the US - who this year have broken their Swiss counterparts' longstanding hold on the top place in the league - and those in the UK.

The gross money rewards of the American in 1987 work out at £83,070, which tax and so on whittle down to a take-home pay of £50,910. As the executive's living costs are higher in the US than in Britain, the net sum in turn is reduced to a buying power of £49,430. The gross of the comparable UK manager is £43,850, coming down to £27,480 which, since the indicators are standardised on British prices, is also the UK executive's purchasing power.

Besides giving the indicators, the table provides a rough idea of the incentive each country's more junior managers have to strive for promotion to senior level. That is done by the columns on the right-hand sice which show the percentage difference in buying power between the executives respectively in the lowest and the highest of the three ranks. The nation with the greatest spur to effort in those terms is Italy with a top-rank advantage of nearly 90 per cent, which makes Britain's 58.5 look modest.

The most spectacular change in the incentive between 1986 and this year is in Denmark, which has evidently markedly changed its tax system. But the other Scandinavian nations in the list continue, along with Ireland, to offer relatively little extra pay for promotion up the managerial ladder.

Even so, there is no need for readers in other countries to weep for the "poor" Scandinavian executives. Their actual living standards are far from low. One reason, I hear, is that they are usually able to gain generous tax relief on money borrowed for buying second houses, yachts and such.

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A new top management is now installed with Norman Ireland as Chairman and David Lyon as Chief Executive. The balance sheet is ungeared and plans to expand the business are in place. A small corporate planning team is now being recruited to be located in Knightsbridge.

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Eagle Star

SWISS CHEMICAL INDUSTRY

John Wicks on an ambitious Swiss chemical and drugs group

Sandoz builds a bio-tech empire

SANDOZ, under an environmental cloud after the disaster of last November's Rhine-bank fire, continues to be the most successful of the big Swiss chemical companies.

In spite of a negative foreign-exchange impact, it was the only one to record an actual growth in Swiss Franc turnover for the first half, having suffered a dip to SFr 8.3bn ($5.53bn) in 1986. Profits are "satisfactory" and probably accelerating.

The key to Sandoz's success lies in its long-term programme of strategic expansion. Last year alone the group spent SFr 551m on fixed assets and about SFr 800m on acquisitions, apart from a research and development bill of SFr 746m.

There are no signs of this growth-oriented policy changing.

The Basle company is particularly keen on building up its presence in bio-technology. A series of 'internal' expansions, joint projects and acquisitions is gradually strengthening the international potential of the group, both in conventional fermentation chemistry and in modern genetic-engineering processes.

The operational stronghold in this sector has long been the Austrian subsidiary Biochemie, based in the Tyrolean village of Kundl.

The company, originally set up in a former brewery in 1945, had already made a name as a pioneer in antibiotics when Sandoz bought it in 1964.

It began producing injectable penicillin-G in 1948 and four years later discovered penicillin-V, which was acid-resitant and so could be taken orally. Subsequent breakthrough included the development of "tailor-made" cephalosporin intermediates and the first large-scale production (for third parties) of interferon.

The Swiss group has continued to pump large sums of money into Biochemie, with corresponding investments likely to reach nearly Sch 3bn ($237m) for the 1983-87 period. Sales of the Austrian company have been doubling every five years, to Sch 2.95bn in 1986.

Production is still centred on antibiotics, where Kundl is — and intends to remain — one of the world's leading single sources for oral penicillin.

Apart from expanding its penicillin and cephalosporin activities, the plant is busy building up other fermentation-based operations.

On the Kundl site, the Biochemie-Henkel joint venture Biozym produces detergent enzymes for the German partner. In May, production of the bovine growth hormone BST was started in co-operation with Monsanto.

Future projects could include development of human or animal hormones (with or without Monsanto), enzymes for new applications and expansion into the diagnostics field, with test kits and monoclonal antibodies.

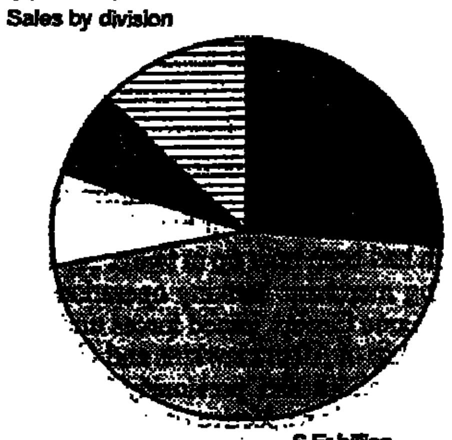
Biochemie does not have ambitions to become a world-scale pharmaceutical producer in its own right," says Mr Hubert Albrecht, managing director, "but we do see ourselves as fermentation specialists."

Most of the land reserves in Kundl have now been utilised; while investments will remain high in 1988, they will mainly involve environmental control.

There is much more space available at the nearby Schaftenau works of the affiliated company Sanabo, whose output is based on extracts from animal organs. "There are, at present, no plans to locate big new projects there."

Biochemie does, however, play an important role in Sandoz' moves to enter into new fermentation activities in other countries.

Sandoz
Sales by division



	SFr billion
Chemicals	2.2
Pharmaceuticals	3.9
Agro	0.7
Seeds	0.6
Nutrition	1.0

1986 total SFr 8.4bn

The Austrian company is, for example, looking after its parent's interests in the Spanish group Gema/Liessa. In this company, now a joint venture of Sandoz and the Alusuisse subsidiary Lonza, Biochemie has operational repsonsibility and supplies raw material for the production of semi-synthetic antibiotics.

This guarantees a market for part of Kundl's raw penicillin-V output, as well as meeting all Sandoz group needs for fermentation substances.

Biochemie also runs the biochemical division of Sandoz Biochemie Farma, an Indonesian company which processes raw penicillin from Kundl for sale on the local market.

A more significant foreign commitment for Sandoz—and doubtless Biochemie—seems likely if the Swiss group goes ahead with its plan to set up a fermentation plant in the US.

Dr Marc Moret, chairman of the Basle parent, has indicated that a decision on this project could be announced this year.

"The production programme would possibly be Kundl-style "tailor-made fermentation," with co-operation agreements with various end-user partners.

Sandoz also seems to be considering some sort of fermentation activity in India and five or six other countries.

Outside the fermentation sector, there are already a number of ventures linked with genetics. Sandoz has, for some time, been co-operating with the Boston-based Genetics Institute on "colony stimulating factor"—a potential treatment for immune-deficiency disorders — and with Collaborative Research, of Lexington, on the anti-thrombosis agent prourokinase.

Units for the development of these and other bio-technology products are being created in Basle and Hanover, New Jersey.

Recently Sandoz also signed a research agreement with Genelabs, of Redwood City, California, to find new active agents on the basis of T-suppressor cells.

Dr Hans Winkle, Sandoz executive-committee member, says the company regards bio-technology "as a working instrument and not as a research sector in itself."

For all that, the Basle group is obviously putting considerable effort into making it the basis for an important part of its production.

Dresdner Bank recovers

BY OUR FINANCIAL STAFF

DRESDNER BANK of West Germany says earnings are rising again after falling in the first six months of the year. Mr Wolfgang Roeller, management board official said yesterday that "the direction is up again."

Dresdner reported in July that its partial operating profit fell 15.2 per cent to DM 378.4m ($207.9m) in the first six months of 1987 compared with first half levels last year.

Mr Roeller said he expected good results for 1987 as a whole. "Business volume has further expanded and the bank was satisfied with the development of its credit business. Savings deposits had also risen "markedly."

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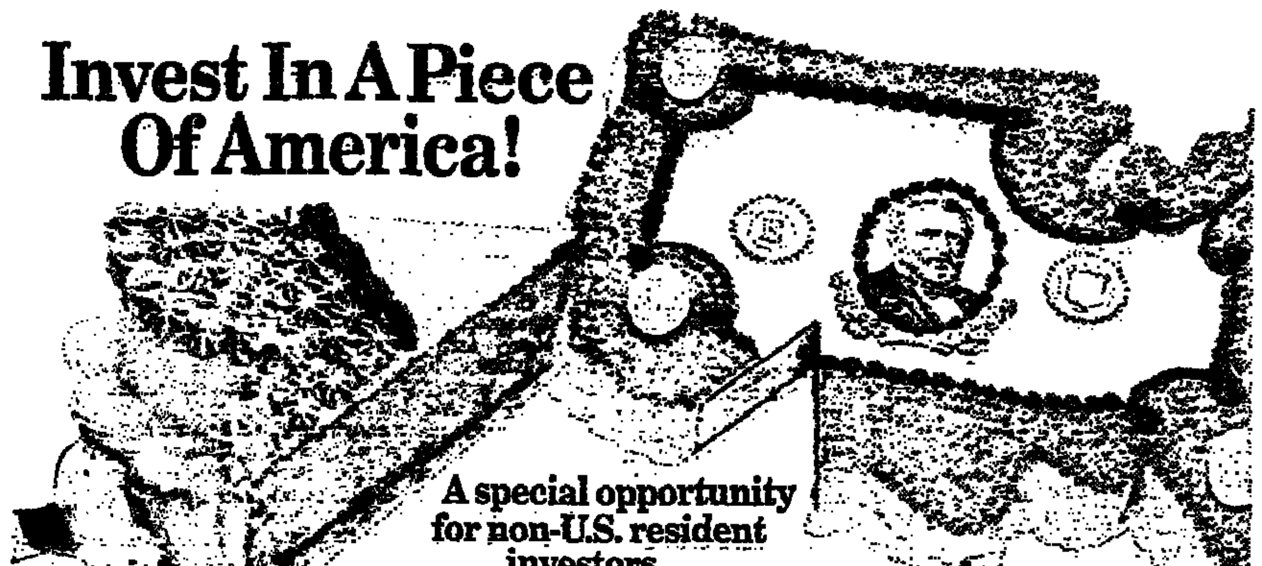

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September 16, 1987, London
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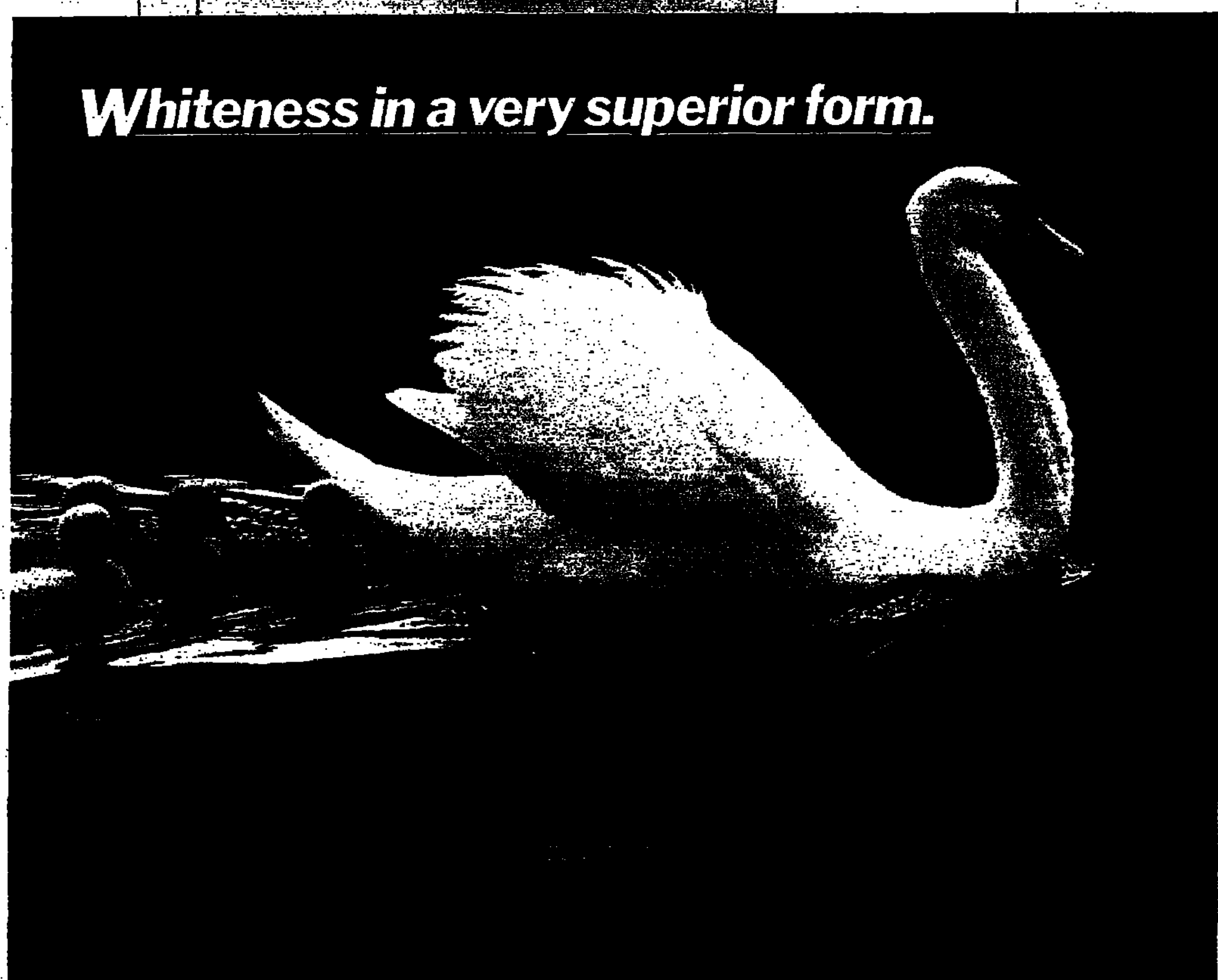

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FAR EASTERN AIRLINES

Mervyn da Silva on the problems facing Sri Lanka's national carrier

Further turbulence for Air Lanka

AIR LANKA, the eight-year-old national carrier which made such a *splash in* the tourist trade with its offer of cheap fares and high-class inflight *service to* Sri Lanka, has suffered disastrous financial problems following ethnic strife *on* the island.

Whether the new peace accord has come in time to save the airline—the pride of President Junius Jayawardene — is arguable. But even if peace brings rising tourist revenues and more passengers, a recent commission of inquiry shows that cash flow is far from the only trouble.

The commission, chaired by a Supreme Court judge, has attacked the airline in one of the most scathing reports ever produced on a Sri Lankan government-financed company. The opposition has described it as "a saga of skullduggery."

On any normal accounting basis Air Lanka is not viable, overburdened as it is with debt —*running an operational loss* of about $8m in 1985-86, the last year for which accounts are *available — and trying to* provide a small developing island with an international *service.*

Many, including senior Cabinet ministers, argue that it *should be wound up*—and some argue it should never have been started in 1979. But there is no shortage of airlines flying the world on a financial wing and a prayer.

As an immediate step to relieve the company's heavily debt-laden capital structure, the commission urged the Government to sell its two Boeing 747s and re-negotiate, if possible, the return of two L10-11 TriStars leased to British Airways.

The airline has started to fulfill this recommendation by persuading a leasing company to take back one 747 without penalty. It is still looking for a *buyer* for the other, which was *originally* purchased from Quantas.

BA pays *Air Lanka* $10.3m a year for the lease of the two TriStars and spares, a contract which expires in March. But Air Lanka's principal and interest repayments on the aircraft total *$19.1m* a year.

Not surprisingly, consultants have advised that the TriStars be sold. *If they are sold* at the end of the contract next year the total loss to Air Lanka *will be $18m; it* would only be $10m if BA were to agree to return them now and they were *then immediately sold.*

Either way, the balance sheet shows it would be a better deal *to sell than keep or lease them.*

The commission's report deals at length with the way *Air Lanka* purchased *its* planes in the first place, calling into question the credentials of some *participants in the* financing syndicates used.

The report calls for greater government equity commitment, a cost-reduction programme involving a 30 per cent cut in expenditure, greater emphasis on cargo business, upgrading of facilities at Colombo airport, and expanded reciprocal rights between Air Lanka and other international carriers.

The report also criticises the fact that both Dr W. M. Tillekeratne, the Treasury *Secretary,* and Mr *G. V. P.* Samarasinghe, the Cabinet Secretary, were main board *members of Air Lanka.*

Their presence "constrained and inhibited the security and *profitability* that would normally have been effected on behalf of the major shareholder —*the Government—by its Treasury* and other officials," the report says. It adds: "*The standards of integrity expected* from this eminent group of persons have not been *achieved.*" *The board has now* been replaced.

Air Lanka was financed by Treasury grants and commercial borrowings, all guaranteed by the Government. In March *1986* the *company's* accumulated operating losses totalled $158m, and foreign currency *losses* about $36m.

The report refers to "the total absence of financial discipline" and also comments adversely on the indifference of two state banks which had *contributed SR 30m* ($1m) at the outset.

One reason for Air Lanka's early *prolificacy* was a *desire* at least to equal the airline which was its first partner-adviser — Singapore *Airlines* (SIA), one of the world's most successful long-haul carriers.

This ambition was compounded by the dual role of Mr Rahkita Wickremanayake, its chairman - managing captain, who was seconded from SIA.

The report says that in the highly competitive business of airlines "flying chairmen" can be done without. It advises the Government to find an *independent chief executive.*

One of the most damaging aspects of the commission's *report is its* exposure of incompetent management of flying personnel.

For example, a pilot was recruited as a 747 first officer in 1984 in spite of having less than the *required minimum* of flying hours and in spite of a personality assessment that he was "*schoolboyish.*"

Within six months he was reprimanded for "indulging in *pugilistic* activities while intoxicated" and suspended for 10 days without pay. He re*signed in 1986.*

There was no security screening or check of expatriate per*sonnel in spite of* Sri Lanka's internal security problems.

The saga of Air Lanka is al*most as long as the little* airline's ambitious network of routes—Britain, Australia, the US, *Bangkok and Hong Kong.*

The report provides a litany of disasters, some of them too close for *comfort.* In one *case* an Air Lanka plane was almost involved in the Gulf War by mistakenly attempting to enter Iraqi airspace.

But for all the report's scathing indictment, Air Lanka remains the President's pride and joy. So long as he remains in power it is certain to keep flying somehow.

He *has* even forgiven it for making him extremely late for a banquet with President Zia of Pakistan because the pilot misread instructions to use the "white route" air corridors reserved for VIP flights.

Colombo Hilton ushers in tourism revival

"THE FIRST to be invited and *the last to arrive,*" said President Junius Jayawardene when he opened the $80m Hilton hotel in Colombo last Saturday, writes Mervyn da Silva in Colombo. Mr Jayawardene was Tourism Minister in the late 1960s when the invitation to Hilton International was first extended. But far from regretting the 20-year delay, Mr Jayawardene regarded the late arrival as both *ideally* timed and auspicious.

Now that a peace accord has been signed to end the civil war, government ministers are hopeful that tourists, businessmen and foreign investment will return. During his recent visit to India, Bangladesh and Sri Lanka, the Japanese foreign minister called South Asia an area of "new growth" for Japanese *investment* and business. The Colombo Hilton is being opened at a time when Colombo, the *Japanese* ambassador noted, is emerging as a "central service centre" in the area. The US ambassador has expressed the hope that the hotel will bring a "new economic image" of a violence-free island."

Sri Lanka's tourist industry, once a growth sector, has been the worst casualty of the four year Tamil insurgency. Bombs in the *Lanka* Oberoi and in an Air Lanka plane at Colombo international airport ruined an industry which, with tea exports and remittances from migrant workers, was one of the island's three main sources of foreign exchange before the civil war became world news.

By 1982, tourist *arrivals had* topped 500,000, half way to the target of one million. With Air *Lanka* getting *landing* rights in Tokyo, the tourist industry was just beginning to tap the huge Japanese market when 11 Japanese died in the airport explosion.

Four years later, the figure had dropped below 200,000 partly because the newly *developed* resort area in the island's east coast was affected by the insurgency. Beach hotels on the beautiful and unspoilt Trincomalee-Batticaloa coastal strip were shut down with group tours and charter flights abruptly cancelled.

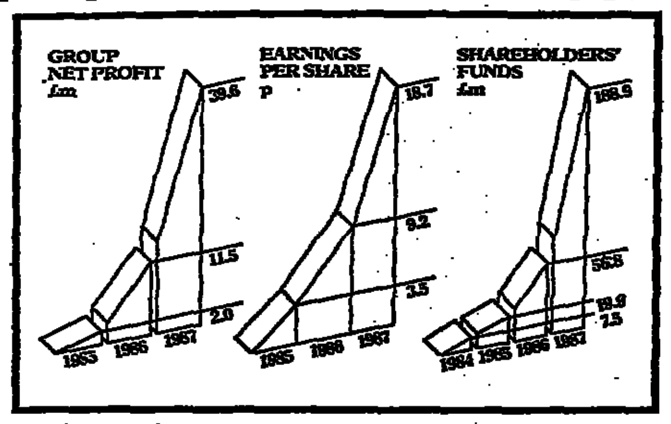
The Government, which holds 51 per cent of the Hilton shares has given a local consortium, Hotel Developers, $53m in *loans. The* rest of the capital was put up by a Japanese construction consortium of Mitsui and *Tasei. Looking* forward to restored international confidence after the signing of the peace accord Finance Minister Ronnie de Mel regards the combination of Japanese capital and American expertise as propitious.

WHO IS EQUITICORP?

A new name has been appearing in the financial pages recently – Equiticorp Holdings Limited. Since we're relatively new to Europe, we thought you'd like to know a bit more about us.

Equiticorp is an expanding international merchant banking and investment group, with headquarters in New Zealand.

Equiticorp was formed in 1984 by a group of eminent New Zealand bankers to create an independent investment banking house. Teams which had been built up in two of New Zealand's leading merchant banking operations, Westpac and Marac Group, joined forces under the leadership of Allan Hawkins and Grant Adams, each of whom had previously been managing director of his respective company. Others who helped create the Equiticorp Group include Miles Coney and Brian Walsh, both former directors of Marac and Peter Hunt, who had been a director of Macquarie Bank Limited, Australia's leading merchant bank.



In May 1984 the public issue of Equiticorp shares was over-subscribed six times. From that moment on the company has grown dramatically.

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What is Equiticorp's business?

Equiticorp's business is balanced between merchant banking, (particularly in Australia and New Zealand) and investment in a number of companies, usually industrial.

On the merchant banking side, we provide a comprehensive service which includes commercial lending, property lending, money market, syndications, corporate advice and the development of financial products. Our service is especially aimed at medium sized corporate customers.

On the investment side our investments include companies whose products range from furniture to freezers and building products to banking. As examples, we have a 49% stake in Feltex which is the largest wool carpet manufacturer in the world and a 23% stake in Fisher & Paykel which is the largest white goods manufacturer in New Zealand.

What is Equiticorp's record?

In the past three years Equiticorp's profits have grown from £1.96 million in 1985, to £11.47 million in 1986, and to £39.58 million for the latest financial year.

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THE BELL GROUP INTERNATIONAL LIMITED

The Bell Group International is the holding company for the UK interests of the Bell Group, an Australian based group of companies with diverse interests in the media, entertainment, industry, finance and energy sectors.

With the following appointments their intention is to develop and expand the senior management team at their central London office.

UK TREASURER

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Controlling a small treasury team, the successful candidate will, inter-alia, be responsible for debt finance, general capital market activities, bank relations and the promotion of the Bell Group's interests generally (International and Australian) with banks and other City based financial institutions.

This senior appointment requires regular contact at senior management and director level, and it is considered unlikely that any applicant aged under 35 will possess the necessary presence, maturity and experience to meet the demands of this role.

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ASSISTANT TREASURER

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Reporting to the UK Treasurer, the successful candidate will be involved in detailed treasury work for the Bell Group of companies.

These include general funding arrangements, commercial paper programmes, provision of capital markets back-up e.g. documentation, maintenance of existing bank relationships together with the operation of electronic treasury management and reporting systems. Evidence of experience in these areas together with a knowledge of the latest banking products will be sought.

The successful applicant will be aged about 30 years, will be a graduate and ideally be professionally qualified.

Again, the salary package offered is designed to attract those candidates of outstanding ability considered necessary to meet the demands of this position.

Interested candidates should write, enclosing a comprehensive curriculum vitae, to
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West German retailing

Breaking out of the departmental mode

Andrew Fisher explains Kaufhof's move into specialist stores

DESPITE ITS wealth, West Germany looks at first sight like fairly bleak retailing territory. Its inhabitants tend to be avid savers rather than wild spenders, its population is easing, costs are high, and shopping hours are subject to legal curbs which rule out evenings and most Saturday afternoons.

Yet now that Germany's exports are having to push against the weight of an increasingly sturdy D-mark, German policymakers are basing much of their hopes for future economic growth on domestic consumption rather than foreign trade. In 1986, a year of tax cuts and lower fuel prices, consumer spending rose by 4 per cent and the cost of living actually fell.

So the retail and consumer sector has been an investors' favourite over the past year or so, though the stock market as a whole has lacked sparkle. Kaufhof, the fast-expanding group which has spread beyond traditional "all-under-one-roof" department stores into specialist and mail order retailing, has been especially closely watched by the German and foreign investment community.

The reason is twofold. Not only has the Cologne-based company marked up a high rate of recent earnings growth, it has also turned its business inside out so as to win new buyers. In this it is responding to changing customer demand. As a result it is developing a more specialist approach with a strong emphasis on leisure. In the main, this has meant developing activities which already exist on a smaller scale within department stores - like shoe retailing, hi-fi and leisure wear - rather than moving into totally new areas.

By the end of this year, only half of its business will be in department stores, of which it now has around 83. This compares with 60 per cent last year and 75 per cent in the mid-1970s and was a goal that Kaufhof originally aimed to reach in 1989.

For Kaufhof has moved quickly in the past few years. It started cutting staff and costs at the end of the 1970s - a decade which saw purchasing power eroded as oil prices increased - when it employed 60,000. Today, it has 45,000, with more staff now being hired as non-department store activities grow. Kaufhof saw that department stores had limited growth possibilities, as labour expenses were rising and few new inner-city properties were available.

Moreover, out-of-town discount stores were springing up in competition and the retail landscape was changing rapidly. So as not to be left behind, Kaufhof developed a two-pronged strategy of modernising its best department stores and diversifying swiftly into specialist retail and service sectors. While spending heavily on its existing stores, it began to develop record, hi-fi and electronics outlets and fashion shops. It also built up sales of shoes, textiles and electronics equipment by mail order.

Erratic

Generally, Kaufhof has been faster on its feet than its big store rivals like Hertie, Karstadt or Horten, though these are now catching up. "Kaufhof alone has a viable growth strategy which will enable it to weather the ups and downs of consumerism," believes Adrian Brundrett, an analyst with Citibank AG in Frankfurt.

"We are on several wavelengths, trying to speak to different customers," says Jens Odewald, Kaufhof's tall, slim, 46-year old chairman. "Often the same people like to pay a discount price for some things and then pay a lot of money for something else later in the day."

The surge of activity has propelled Kaufhof's earnings ahead, after an erratic period in the early 1980s, by 25 per cent a year, with group net income likely to approach DM100m ($55m) in 1987 against DM78.4m in 1986, when group sales totalled DM9.2bn. Sales were 7 per cent higher in the first four months of this year. In February, it raised DM210m through a rights issue to help finance growth. More recently, the privately-owned and secretive Metro cash-and-carry group doubled its stake in Kaufhof to nearly 50 per cent.

Odewald, the chairman since mid-1985, says he is not worried by Metro's growing presence. "It is very good to have them as a shareholder." Nor would he worry if the stake went over 50 per cent. "They are intelligent enough to let us work." He has, anyhow, a close working relationship with Erwin Conradi, Metro's managing director and head of the Kaufhof supervisory board.

Odewald, a Hanover-born lawyer, previously with Esso oil in Germany and the Kuehne und Nagel transport company, expects a good deal to happen at Kaufhof in the coming years. "This business will change permanently," says the laconic Odewald. "We have gone strongly for diversification and we can say that it has been very successful." Under his chairmanship, investment has risen sharply and will reach DM340m this year against DM216m in 1986. "We intend to go up."

Kaufhof has sunk money into its big stores, as well as its newer businesses. Several medium-sized stores have been converted into purely fashion and sport branches. The elegant Cologne store, its flagship, has been snazzily revamped at a cost of DM42m, with plenty of mirrors and lights to stimulate people into a buying mood. Filling the top floor is a sports department catering for activities ranging from body-building and surfing to tennis and soccer. Other floors have the usual range of city-centre store goods, while the basement is given over to an airy food hall where shoppers can relax with a glass of champagne and a plate of smoked salmon, or something less exotic.

Not far away in Cologne's pedestrian area is a cheap and cheerful store selling clothes, cosmetics and other goods at budget prices. This is Kaufhalle, which has 102 such outlets at the cheaper end of the market and is also owned by Kaufhof.

Both types of store are doing well, with the main Cologne store of Kaufhof racking up sales of some DM360m a year. But the rapid growth rates are not being achieved in the traditional stores. It is in records, photography and hi-fi through its Saturn-Hansa stores, and shoe mail order and self-service shops through Reno, that the group is seeing its fastest expansion.

Jens Odewald: "We are on several wavelengths"

Reno, in which Kaufhof has a 50 per cent holding, is set for turnover growth of almost 60 per cent this year to some DM650m, with DM1bn aimed at for 1988. The growth includes new stores for Reno, which has around 50 in Germany, as well as five in France and two in Austria. Prices are low, mostly not exceeding DM100. Reno plans more stores in and outside Germany.

"The growth of profit is tremendous," enthuses Odewald of Reno. Margins, at 5 per cent of sales, are much higher than in the more sedate department store sector. Still in the start-up, and thus loss-making, phase are the Saturn-Hansa stores and the Mac Fash discount fashion stores.

Not all of its diversification ventures have taken off, however. It closed a fast food chain and an up-market ladies' fashion operation when these proved slow to move.

At Saturn-Hansa, where Kaufhof hopes to break into profit next year, the emphasis is on scale. It has three such outlets in Frankfurt, Hanover and Munich, offering one of the world's largest record stocks with 100,000 titles and 1m records at each store. Three more are planned.

A casual visit to Saturn-Hansa in Frankfurt reveals a vast display, rather functionally presented, not only of records, compact discs and cassettes, but also of audio equipment, cameras, video recorders, televisions, household goods, and car accessories. Odewald aims to take the concept to other European countries.

As well as widening its retailing embrace, Kaufhof has moved deeper into service areas like tourism, catering, and property. Odewald would like to see these account for 20 per cent of total business against the present 12 per cent. (Its own properties are worth at least DM3bn.) It is also trying out credit cards in Stuttgart and Hanover, but Odewald admits it will not be easy to wean German buyers from the notion that credit is almost sinful. "Germans are very conservative on this."

With the conservatism, however, goes a high degree of discrimination. Kaufhof is trying hard to cater for this with its latest venture, Gemini, a large and excitingly designed store which sells books, records and computers for the specialist and general customer. One has opened in Bielefeld and another is planned soon for Stuttgart. "Today," comments Odewald, "people are more selective, more critical."

In-house training

The wisdom of Salomon

John Wicks on the investment bank's path to home-grown talent

THE FINANCIAL services sector has a serious manpower problem. In London and other leading banking centres, highly skilled personnel with up-to-the-minute knowledge are, literally, at a premium. Invariably, they are obtained by poaching - at a substantially higher salary - from the competition.

Some form of in-house training has now become imperative.

Salomon Brothers, the New York-based investment bank, has traditionally attached a great deal of importance to home-grown talent. "After all, this business is nothing if not personnel," says George Hutchinson, currently managing director of the company's Zurich operation. "Our assets go up and down in the elevator every day."

The Salomon philosophy on recruitment is that it is brains that count, regardless of the nature of previous experience or academic education. As far as the graduate intake is concerned, the New York parent, its City affiliate in the UK, Salomon Brothers International, and the various branch offices, such as Zurich, thus look not only at top business schools in America, Europe and Japan. They also look at leading scientific institutions such as MIT in Boston or the California Institute of Technology and major universities, among them Oxford, Cambridge and the "Japanese-flavoured" Sheffield.

This means that physicists, engineers, mathematicians - and, in one Swiss instance, even a former neuro-surgeon - have been hired as trainees by the Salomon organisation, over and above the more foreseeable batch of MBAs or their non-American counterparts. The idea behind it is similar to what used to be claimed in the City about a graduate in Greats from Oxbridge: "If you can do that, you can do anything."

At the same time, the company is trying not to recruit from competitors. Experienced personnel, it says, have proved generally less successful than those trained in-house. This is attributed to the difficulty of adjusting to a new employer and to a new hierarchy - quite apart from the fact that some of the "skilled" staff do not turn out to have that much real experience after all.

Another aim in Salomon's recruiting practice is to become "something more than solely a US corporation." With London and the other foreign offices all out spotting talent, the group is able to put more and more locals into responsible slots abroad, as well as injecting more foreign (particularly British and Japanese) blood into head office.

After recruits have been selected, they are sent to New York for a five- to six-month training course. In the case of European trainees, they first spend a few days with the 870-man London operation to "get the feel of the place, meet lots of people and have a taste of hard work"; this includes a brief introduction to what the company calls bond mathematics.

Europeans arrive in New York a week before their American counterparts to give them a short acclimatisation period and allow them to prepare for the programme. Japanese trainees turn up two weeks early and take additional English should this prove necessary. All foreigners have three more days of "bond maths" before the American recruits arrive, primarily to acquaint them with local terminology.

There are two intakes per year, each ranging from 100 to 250 trainees. They start off with the training programme's equivalent of square-bashing - two weeks of bond mathematics, eight solid hours a day, taught by middle to senior executives. This is followed by a series of so-called modules of four to six days each, taking each trainee through the entire firm to provide a general understanding of corporate activities.

Trainees are also introduced to more specific skills which may help to decide their future function at Salomon. These include a money-management competition, in which teams of three to four people, representing a trust or a pension fund, are each given a notional sum of $100m to work with, using a computer and adjusting to changing investment environments. Future sales staff can discover their abilities in an IBM-type salesman spiel.

One week is devoted to preparing for the American Registered Representative examinations, which are intended to prove a minimum level of competence in mutual-fund selling. This may be irrelevant to the future work of many of the trainees but it is demanded for all Salomon employees.

After the modules, trainees gain experience in four to eight different departments outside the classroom atmosphere. This presents them with real-life conditions in the firm - as well as showing the firm what the trainees are made of.

Finally, inter-departmental recruiting begins - whereby representatives of foreign and branch offices go to New York to make presentations and try to woo the men or women of their choice. This is followed by a series of less-structured specialist courses linked to the trainees' future jobs, such as programmes on the minutiae of equity or bond trading.

There are very few failures, even though the training programme foreshadows constant examinations; very few trainees drop out after deciding that investment banking is not really their thing. "The selection process is too good for that," claims Hutchinson.

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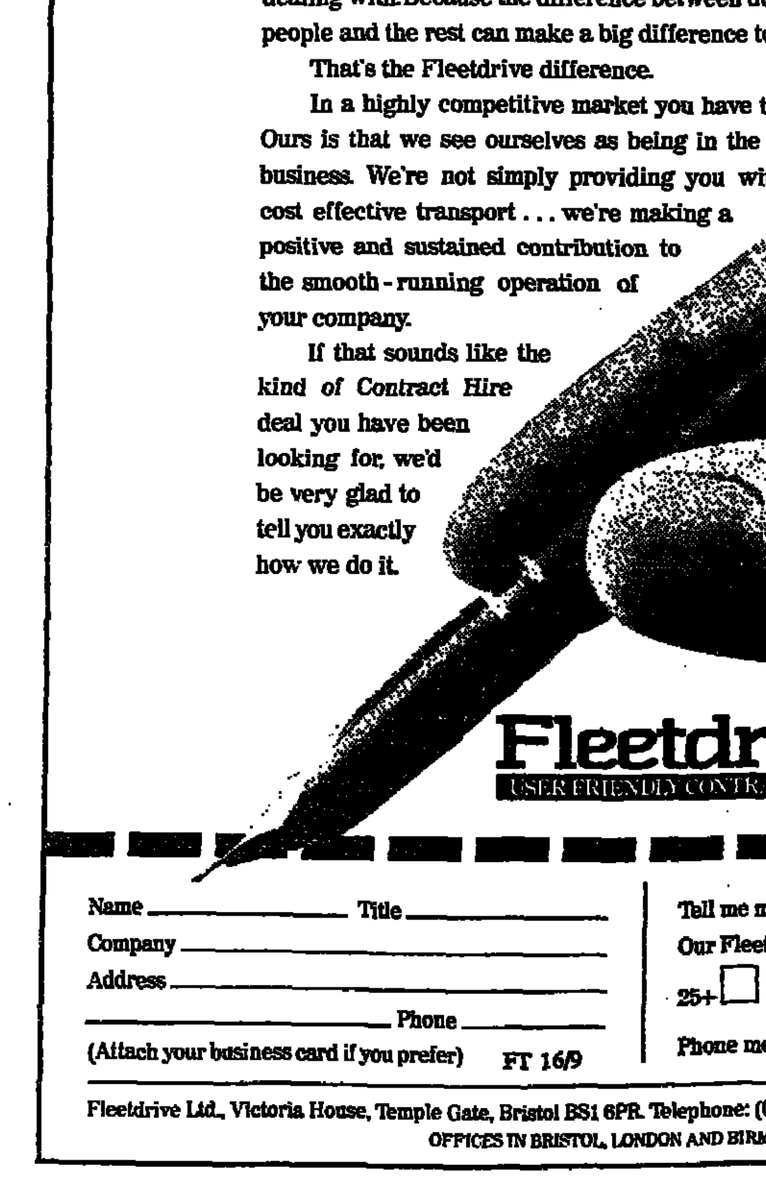

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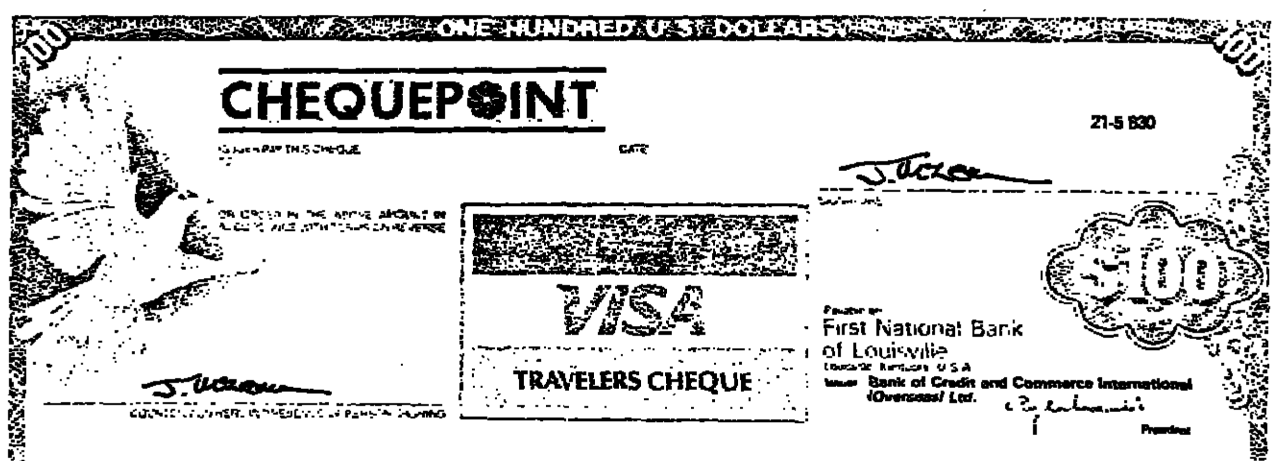

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Television/Christopher Dunkley

A daytime look at ITV's new schedules

Last week Britain moved one step further into the television age with the appearance of ITV's new daytime schedules. Programmes have, of course, been transmitted on the ITV network *during the daytime* for many years, but until now the mornings during term time have been devoted to schools programmes. Now those have been moved to Channel 4 so that ITV can provide a non-stop sequence of programmes for the general public.

Some say that when television begins broadcasting like this, day and night, 365 days a year, with no breaks at all, it is transformed into a mere utility, available at the flick of a switch as is water at the turn of a tap. It becomes difficult, they say, for any one programme to stand out from the rest. The sense of occasion once shared by millions of viewers when programmes such as *Civilisation* or *That Was The Week* were broadcast, becomes impossible to achieve.

Convincing though this argument may sound at first, it has more to do with nostalgia than common sense. The utility *analogy is weak since there is* nothing "mere" about a permanent water supply; most of us would be lost without it. Moreover, although *Civilisation* and those other memorable programmes were not screened within a 24-hour system, they might just as well have been since they were all transmitted in the middle of a continuous evening schedule.

Furthermore, recent evidence shows that outstanding programmes still stand out: an Attenborough wildlife series does not merge into a blur of passing programmes, it is sought out and watched by vast audiences. And just as word of mouth built up the viewing figures for *TW3* in the sixties, so the same phenomenon today helps increase the numbers watching say, *The Singing Detective, which climbed steadily* to an audience of 8m. Thus it would seem sill to object to the introduction of 24-hour television on principle. But what of the practice?

The first interesting point to emerge from an inspection of last week's daytime output was that ITV's breakfast programme, *TV-am*, is noticeably improved. True, it is still blighted by the need *to assume an attention* span of three or four minutes among an audience which is busy getting out of the house, and it does still include Popeye cartoons and a birthday feature reminiscent of the circulation-building birthday columns in old fashioned local newspapers.

But where it once appeared to be appealing nervously to a dim 14 year old schoolgirl, with items on hairdos and pop stars, it now seems to aim with considerable confidence at an adult audience. The sort of interests expected among its viewers are clearly still those of the mass market, judging from such items as the one on Mills and Boon books. However, the sensibly analytical manner in which that was conducted was miles removed from the brittle jokiness of the programme in the past. What is more, both *the presentation and the content* of the news have been improved and the use of studio guests is also better. Since news and guests form the twin spires of the programme, the change is unmistakable.

But *TV-am* is not part of the new schedule. Among the new series there are, unfortunately, precious few surprises. *Chain Letters* is a daily word game even less demanding than all the others already on television. Based on the old parlour game (you know, change HAND to FOOT in five moves, altering one letter at a time and making a new word each time: HAND, BAND, BOND, FOND, FOOD, FOOT) it drops the need to move from one word to another and merely requires contestants to change a letter and make any old word. On Tuesday not one of the three contestants could think of which letter to use in place of the "P" in GRAPE in order to make "somewhere you put your chestnuts."

Santa Barbara is an American soap opera which is so bad that if you showed it late at night on Channel 4 and called it satire, it would be hailed as the cult comedy of the season. It has all the stiltedness of *Crossroads* plus guns, lip gloss, and lines such as "Oh Joey! You left a boy, but you've come *back a man! I can see yore a* man!" On Wednesday one entire "outdoor" scene was shot against a blown up colour photograph of palm trees.

The series that promised most was *The Time . . . The Place*, a daily topical discussion programme which appeared to have two advantages: a different venue every day which could be matched to the main news story or controversy, and Mike Scott and presenter. Clearly there were likely to be echoes of BBC1's *Day To Day* which was, in its turn, an attempt to emulate America's *Phil Donahue* (currently screened at five o'clock in the morning in some ITV areas, minus the "Phil" for some reason).

In the event *The Time . . . The Place* has proved so far to be less than sparkling. The discussion on marriage, held near Gretna Green, consisted of a plod round the predictable bases, and the programmes on meningitis and test tube babies were little better. Only the genuinely topical discussion about the Dewsbury school row came alive, and even here there were few signs of the Mike Scott we remember from the sixties. When a bureaucrat ducked behind a wall of confidentiality Scott walked away. You left a boy, and even though Ray Honeyford *was present, he was not* introduced until the programme was practically running its credits.

The soap operas *The Sullivans* and *A Country Practice—imported from Australia*, which ITV finds cheaper than making its own—have long been familiar in the UK, and other series such as *That's My Dog* and *Frocks On The Box*, though they have not been with us all that long, are not new either. The last two series are marked by a flippancy which is not merely deliberate but sometimes desperate. Though each has a subject which is of considerable importance to a great many viewers—dogs and clothes—both strive determinedly to produce an atmosphere of triviality.

In particular Muriel Gray, the main presenter of *Frocks On The Box*, seems so terrified that somebody might think she takes fashion seriously that she feverishly *sends up everything* including her own appearance . . . though looking at her, perhaps that is not so surprising.

I found just two new programmes in my researches which really seemed promising. *Jimmy's is a* documentary series about St James's Hospital in Leeds, looking rather like Roger Mills' superb 1977 BBC series *Hospital*. The difference may be that in this new production real life is being made to look remarkably like soap opera. The other series which began very well was *Food—Fad Or Fact?* which benefits enormously from the exemplary scepticism of producer/presenter Joan Shenton.

A combination of herd instinct and tunnel vision has reduced the bulk of television journalism on several trendy subjects—race, diet, women—to the level of Orwell's Newspeak, with reporters simply mouthing the approved nostrums heard elsewhere. It is not just refreshing *but cheering to find someone* like Joan Shenton who still has the instinct to question the received wisdom and challenge the consensus, however fashionable. That instinct lies at the heart of all the best journalism.

Many readers of this page might seek out *Food—Fad or Fact?* if it were broadcast at a time accessible to them, and I can see no reason why they *should turn off Jimmy's. But* even put together these two represent less than one hour's viewing. For the rest, ITV's new daytime schedule is clearly not concerned with catering for people such as FT readers.

We are told that more women than men watch during the day, and that the audience consists predominantly of the old and the young. You might *have* thought that there was as large a proportion of intelligent and demanding viewers among those segments of the population as among any other, but the people running ITV apparently think *otherwise*.

Joan Shenton in "Food—Fad or Fact?"

Scene from "Vespers"

Vespers/ICA Theatre

Michael Coveney

The Mickery Theatre in Amsterdam has been for 20 years the most important European clearing house for new theatre work. London knows of its support for our leading fringe groups such as the *People Show* and *Pip Simmons*. We know of its energetic participation in the European visits of the Wooster Group and Peter Sellars.

Now we have a chance to see what the Mickery itself gets up to when left to its own devices. *Vespers* is part of a project titled "Making Theatre Beyond Television." Re-creating theatrical excitement in the wake of advances in sound and visual technologies, using them as well, is a great subject and nowhere on the agenda of the mainstream theatre except in certain musicals.

Vespers undoubtedly relates to more interesting experiments in the field but amounts to little more than a woefully listless hotchpotch of images, culled from the tele-culture, *that are designed to make us* feel either guilty or helpless.

Around the platform, three screens re-run the dying moments of the 12-year old Columbian girl immersed in muddy water whose photograph won a journalist a prestigious award. The Challenger shuttle takes off and, after several engineered *false starts*, explodes. A photographer snapping a recalcitrant peasant is hurried along to record the sight of a man squashed under the front wheels of a bus. The *bus-driver recoils from instant* fame.

What are we to feel? Revulsion, participatory shame, nothing? All manner of moral and ethical questions lurk in the *shadow, but the show's* director (and Mickery's leading light) Ritsaert ten Cate wishes only to leave us wallowing in discomfort. But, he adds, why should we even do that? This is what Life is. And the point is underlined by a gruesome filmed close-up of a simple operation, a human belly slit full length in search of an offending stone or growth.

A few actors wander around, sullen and inaudible. They exchange social banalities, build sandcastles, revert to the comforting roles of Pooh and Eyore, play "Scruples," an occupation that reduces the responsibility of moral decision to trivial party pursuits. "Would you give your 12-year-old daughter the *pill if she asks* for it?" is juxtaposed with the Columbian girl's final request: "When I come out I want to see what the camera did."

The stage is flooded with cartoon images of chimps on trapezes, with fleeting sights of Linda Evans at a camel race, of victims waving from burning buildings, of the Kennedy assassination in Dallas, of that *impromptu execution of a Viet* Cong soldier, of napalmed children.

Ritsaert ten Cate calls his show "A sunset sort of thing." I did not take much of a glow from it, but respect the intention of dealing with moral questions in this new theatrical way. There are two problems, though. The presentation itself is inert and uninteresting. And *you feel "got at"* by *someone* who feels his own guilt lessened by drawing attention to ours.

Haydn/Wigmore Hall

Max Loppert

The great festival of Haydn string quartets continues every day *this week—and at lunch*-hour as well as in the evening. On Monday, for example, the Endellion Quartet played Op 74 no 1, in C, and Op 54 no 3, in E, in the early-afternoon concert; and in the evening the Lindsay, host-quartet of the whole enterprise, took over for the longer programme of four quartets. Eating paté de foie gras to the sound of trumpets is one man's idea of heaven; mine, I must confess, is very much more like listening to Haydn string quartets in the Wigmore Hall on a bright early-autumn afternoon.

The style of the series, in *platform demeanour* as in dress, is amiably casual, and the Endellion leader Andrew Watkinson carried it on in neat spoken introductions to the C major and E major quartets. Of the music itself the Endellion gave characteristically sound, sensible, musicianly accounts. Those adjectives suggest grudg*ing praise*, even patronage; the trouble is that in a Haydn festival of this splendid sort, where the works are no longer tossed in as warm-up fodder (their familiar quartet-concert fate) but serve as main object of focus, one is fated to expect something rather more than that.

In the C major work the extraordinarily sinuous rhythmic pattering of the minuet was not always quite fleet in movement; in the E major (that key of heightened, radiant Haydn romantic lyricism) the first violin failed to find for the Largo cantabile the "vocal" *freedom* of phrasing predicated by its elaborate figuration. Against this one sets the clarity and sureness of the ensemble, the intelligent approach to both Haydn's humurous surprises and his bursts of open-air robustness (such as the drone-bass insinuations in the Presto of Op. 74 no. 1).

Not surprisingly, perhaps (since the whole adventure is of their devising in the first place), the Lindsay's evening concert showed a much wider and more various sense of all those qualities in which the Haydn-quartet lover delights—product of what the Lindsay first violin Peter Cropper properly calls (in his programme introduction) "one of the freshest, wittiest and most imaginative minds of all time."

In any one of the week's concerts containing, as this one *did*, four works, each from a different period, the panoramic view of those qualities is likely to be breathtaking. And so it was on Monday night: Op 20 No 4, in D, the rich Op 64 No 1, in C, Op 50 No 4 in the rarefied, "difficult" key of F sharp minor, and finally the glorious "*Sunrise*", the B *flat* (*Op 76* No 4). Attending one concert was a sufficient Haydn experience; attending both was a magnificent Haydn journey.

The price, on Monday night, for Lindsay involvement, for the vigour and forcefulness of their articulation and rhythmic movement, the passion of their commitment to the music, was a rather plentiful amount of wayward ensemble and ill-tuned, scratchy playing, particularly from Mr Cropper himself. The F sharp minor, he warned us in advance, is a work of notable technical awkwardness—but his way of proving the point in a sketchy outlining of the abundant bravura semiquavers seemed uncomfortably realistic. On the whole it was a price well worth paying; but it was specially fortunate, therefore, that the group staged a sufficient recovery at its close for a poised and glowing performance of the "Sunrise."

Grand Union Orchestra to tour new work

The Grand Union Orchestra is to tour its major new work, *A Book of Numbers* to venues throughout England during the autumn. *The dates are October* 8 at Bristol, October 16, Cheltenham; October 21, Sheffield; November 7, Milton Keynes and November 12 at Aldeburgh.

A Book of Numbers, composed and arranged by Tony Haynes with lyrics by David Bradford, draws upon the multifarious talents of the 19 international musicians who comprise this orchestra which was formed five years ago by trombonists/pianist Haynes.

In Haynes' work Grand Union's instruments and voices "fuse together in a cycle of nine musical numbers set against the consequences of the build up and testing of nuclear weapons in the Pacific Ocean." It is said to be "A harmonious and hard hitting *cornucopia* of ballads, jazz, *street parades* and blues."

Pork Pies/Stratford East

Claire Armitstead

The uneasy relationship between the theatre and the police moves on a step with this new play by Vince Foxall based on yet unproven alle*gations* by Kent *detective* Ron Walker of a cynical and systematic corruption. Walker has been on sick leave in the 18 months since he made his accusations, and the Police Fede*ration* did its best to halt the play on grounds of inquiries in progress.

The attempt failed, leaving Foxall free to shift attention away from its more usual focus *on the thuggery of peace*-keeping among rioters and strikers, to the white-collar end of the thin blue line. "Getting the right result; that's the principle of justice." Walker is told in the play during a pep talk his superior has squeezed between Rotary Club meetings.

The frightening thing about the assertion is that its logic is irrefutable, yet in the concept of "right results" lies the destruction of justice as we know it and the introduction of a system that calculates law and order in terms of profitable exchange. According to Walker, confessions are traded for preferential treatment to keep detection levels up; criminals are herded off the home beat to make their mischief elsewhere; computers are rigged to keep the records straight, and the police themselves are too complacent, too dishonest or too scared to do anything about it.

Foxall allows a certain affection for the chimera of the old-style British bobby represented in the play as outdated media images of *Dixon of Dock Green* or *Softly, Softly;* in George (Jerome Willis) who takes early retirement because his belief in honesty does not run to heroism, and in Walker sharing his pork pie with a picket—an ironic reflection on the title, since *Pork Pies* is rhyming slang for lies.

To his credit Foxall also avoids the temptation of presenting every new-style copper as tritely stupid or bent. Jerome Willis exudes a wholesomeness that finds an echo in the young constable perplexed by a bogus stake-out at a video shop, while Timothy Block, as Walker, seems to carry the weight of the world in his jowls, giving a rather too hangdog account of a man strung over a moral abyss, whose cavill is that that dishonesty exists but that it has gone too far.

Jeff Teare's direction keeps the scenes short and generally sharp, allowing a striking visual stylisation to erode the passages of often witty dialogue and the somewhat repetitive confrontations as Walker is exorted by his wife and friend to keep his head down, and culminating in *a final frenzied activity* as the flashing lights and sirens of exposure send the force running to its shredding machines. In a supporting cast which doubles up effectively to people both sides of the law, Alan Cowan, Glyn Grimstead and Kevin Quarmby stand out.

Arts Guide

September 11–17

Exhibitions

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

WEST GERMANY

Kassel: Museum Fridericianum Orangerie: Documenta 8 'World exhibition of contemporary arts': paintings, sculptures, theatre performances, architecture and design. The Documenta was founded in 1955 by local painter Arnold Bode with Henry Moore, Alexander Calder, Max Ernst and Joan Miro and is an important venue for modern art. This year director Manfred Schneckenburger presents the works of 150 artists, and for the first time open air sculptures which will be erected in Kassel's city centre. Artists exhibiting include Ian Hamilton Finlay, Javier Mariscal, Robert Morris, Mark Tansey, Alexander Melamid, Eric Fischl, Leon Golub, Robert Longo and Joseph Beuys. There is also a separate exhibition The Ideal Museum where 12 architects present their ideas for Museum construction. Ends Sept 28.

Hildesheim, Roemer- und Pelizaeus-Museum, Am Steine 1-2. Egypt's rise to a World Power: More than 300 pieces loaned by 20 museums in Europe, Africa and America — the first presentation of the most important 150 years 1550-1400 BC of the New Empire in Egypt. The bust of Pharaoh Thutmosis III, discovered in 1907 without a face, can be seen complete in Hildesheim. The face, found in Egypt only 20 years ago, was loaned by a Cairo Museum. Another highlight is a reconstruction of the 3000 year old burial chamber of Sennefer, the former mayor of antique Thebes. Clothes, household appliances, tools, cosmetics and jewellery illustrate the everyday life of Egyptian citizens. Ends Nov 29.

ITALY

Venice: Palazzo Grassi: Jean Tinguely: 1954-1987: The jokey mechanical sculpture of Swiss artist Jean Tinguely. A gentler, but still mischievous, version of Salvador Dali, Tinguely describes some of his incredible moving sculptures (all built from refuse iron and steel) as "machines a sentiments," and the complexity and sheer improbability of his works communicate a touching "joie de vivre." Over 300 works are on show, lent by American and European museums, with photographs of his first Self-Destructing Sculpture. Homage to New York, which duly self-destructed in the gardens of the Museum of Modern Art in New York in 1960. Ends Oct 18.

Rome: Palazzo Braschi: Painter-Photographers in Rome: 1845-1870: The term Painter-Photographer was used almost up to 1870 to describe the early photographers, even if they had never painted. An absorbing collection of documentary photographs of Rome, including a collection by the English archeologist, John Henry Parker, and some striking portraits, all from the archives of the Rome Comune. Ends Sept 27.

WASHINGTON

National Gallery: A Century of Modern Sculpture, the Patsy and Raymond Nasher Collection, contains major works by Rodin, Picasso, Matisse, Gabo, Giacometti, Ernst, Moore and Serra. Ends Jan 3.

Hirschhorn Museum: One of the Chicago contemporary primitivists whose repeated scenes make evocative images has his first major east coast retrospective with 49 paintings and four painted constructions. Ends Oct 18.

CHICAGO

Art Institute: Walker Evans photographs of the 1930s showing poverty and despair in the American South were famous in their time in Life Magazine and preserved in James Agee's moving book, Let Us Now Praise Famous Men. This exhibit is a reminder at a time of renewed despair in the American heartland of the scope and depth of Evans' work originally done for the Farm Security Administration. Ends Nov 8.

NEW YORK

IBM Gallery: Post Modern Architectural Visions includes an international array of designers including Michael Graves, Hans Hollein, and Adolfo Natalini with 200 drawings and models of work from 1960 to 1985, originally organised by Williams College and Deutsches Architekturmuseum in Frankfurt. Ends Nov 7. 56th & Madison (407 6100).

TOKYO

Chinese Paintings and Ceramics of the 18th–20th century: 144 paintings and 33 ceramics comprise this important exhibition from the Yang He-Tang collection in Taipei. The paintings include traditional-style watercolours of landscapes, birds, flowers and portraits. Especially interesting are works by literati painters with their political overtones – orchid/bamboo/rock or pine/bamboo/plum compositions symbolising difficulties in a harsh political climate. Works of China's two most important modern painters, Ch'i Pai-Shih (1863-1957) and Fu Pao-Shih (1904-1965), are included. The ceramics, mostly Ch'ien-Lung, a ware synonymous with excellence, were made for the Imperial family. Idemitsu Museum, Hibiya, near main hotels and Ginza. Ends Sept 27.

Modern Japanese Paintings of Yasushi Sugiyama. 120 works of one of Japan's foremost contemporary artists. From Nihonga (19th century, Western-influenced Japanese painting) to abstract futuristic themes, he is one of Japan's most prolific artists. National Museum of Modern Art, near Takebashi Station, off Imperial Moat. Ends Sept 27.

Jerome Willis and Timothy Block

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Short-termism over water

NO public service is as basic and as universal as water supply. Yet the British government has so far conducted the preparations for its privatisation in a peremptory manner which has allowed for inadequate public consultation and restricted such debate as has taken place to a narrow group of influential vested interests.

Chief among the latter are the chairmen of the 10 state-owned water authorities, who meet today to discuss their objections to the government's plans. While united behind the principle of privatisation—some of them have lobbied eagerly for it for several years—all but one of the chairmen are deeply hostile to proposals to transfer many of their regulatory powers to a new National Rivers Authority (NRA).

It has been clear for some time that this would be a contentious issue. Unscrambling the existing integrated river basin management system is a complex task. A fine line has to be drawn between the independent safeguards needed to protect the broader public interest and the freedom of the water authorities to pursue legitimate commercial objectives.

Some of the authorities, in opposing the NRA, may be exaggerating the scale of the threat it poses to their operations. They have a much stronger case in criticising it as a formula for centralising regulatory power in an unwieldy and unresponsive Whitehall bureaucracy. Setting up another large quango is neither desirable nor consistent with the tenets of Thatcherism.

Political expediency

The circumstances of the NRA's birth do not inspire much confidence, either. It was pulled out of a hat without warning as part of the last Conservative election manifesto in response to heavy behind-the-scenes pressure from the Confederation of British Industry, the farming lobby and the quaintly-named Country Landowners' Association. The last organisation, in particular, which has strong support in the House of Lords, appears to have persuaded ministers that without tougher regulatory provisions the privatisation bill would face a rough ride in the upper chamber.

The original privatisation proposals were undoubtedly inadequate in that respect. However, by lurching precipitately from one extreme to the other, the government has given the impression its decisions have been informed less by any firm principles than by short-term political expediency and the persuasive talents of special interest groups with privileged access to ministerial ears.

That is an unsatisfactory way to handle any large privatisation, particularly one for which the rationale is in any case debatable. Apart from keeping up the momentum of state asset sales, the main argument for privatising the water authorities has been to free them from oppressive Treasury controls. These have restricted their borrowing capacity and investment programmes and forced some of them to raise charges much faster than inflation.

Consultation period

Even the most ardent enthusiasts of privatisation have never claimed it would improve the efficiency of the water supply industry or its quality of service. The nature of the industry's business provides virtually no scope for opening it to the stimulus of competition.

Given that the economic case for privatisation is in this instance less than overwhelming, limiting the consultation period on last July's green paper to a mere three months at the height of the holiday season was short-sighted in the extreme. The possible policy alternatives need to be thought through much more thoroughly and thrown open to wide debate before any final decisions are taken.

The recent storm of criticism of British Telecom and British Gas should have alerted ministers to the hazards of rushing headlong to sell off large public monopolies. Meeting a timetable heavily influenced by the Treasury's financing needs should not be the over-riding priority. The government cannot afford any more hasty and ill-considered flotations without running the risk of bringing the whole privatisation policy into disrepute.

Gaps in Hawke's recovery plan

FINANCE ministers "down under" appear to be breeding rabbits for their Budget top hats. Mr Roger Douglas, New Zealand's Finance Minister, amazed his audience by announcing the first Budget surplus for 35 years in June; Mr Paul Keating, his counterpart in Australia, equalled this stunt yesterday by producing Australia's first nearly-balanced Budget in 30 years.

Both were clearly playing to the galleries, trying to shroud any difficulties in an aura of spectacular success to prevent any instantly unfavourable reaction unnerving the foreign exchange, bond and equity markets.

But in both cases asset sales have been waved as a magic wand over the balance sheet to make deficits vanish. The more orthodox calculation of the public sector financial deficit, in which asset sales finance rather than reduce deficits, leaves both countries with a budget deficit, but one which is consistently shrinking as a proportion of GDP.

Necessary medicine

Mr Keating's tough economic strategy is slowly bringing results to an economy suffering from the collapse of world commodity prices and its own early propensity to try to borrow its way out of trouble.

The Australian people demonstrated convincing in July's election that they would go on gulping the bitter but necessary medicine by giving Mr Hawke's Government an unprecedented third term and an increased majority. Australians knew exactly what they were voting for. Mr Keating had trailed his budget with an emergency package in May when he inflicted swingeing cuts on defence, health, welfare and, crucially, federal grants to the insatiable state governments. Yesterday's budget stuck to this austere line—except for the keeping of a few election promises on family assistance, education and training.

Mr Keating's legion of critics is beginning to look churlish in its constant denigration of achievements so far. His accord with the trades unions has delivered substantial real cuts in wages accompanied by minimal industrial action in one of the world's most strike-happy countries. Unit labour costs have fallen. This, together with the depreciated currency, has helped restore Australian competitiveness while constraining the rate of growth of unemployment.

Yesterday's budget forecasts show other long-awaited benefits starting to arrive. The huge current account deficit, which has been as high as 6 per cent of GDP, is finally projected to start shrinking to 4 per cent of GDP during the current financial year. On the other hand, net external debt—the economy's other major albatross—is projected to continue rising faster than nominal GDP.

Serious obstacles

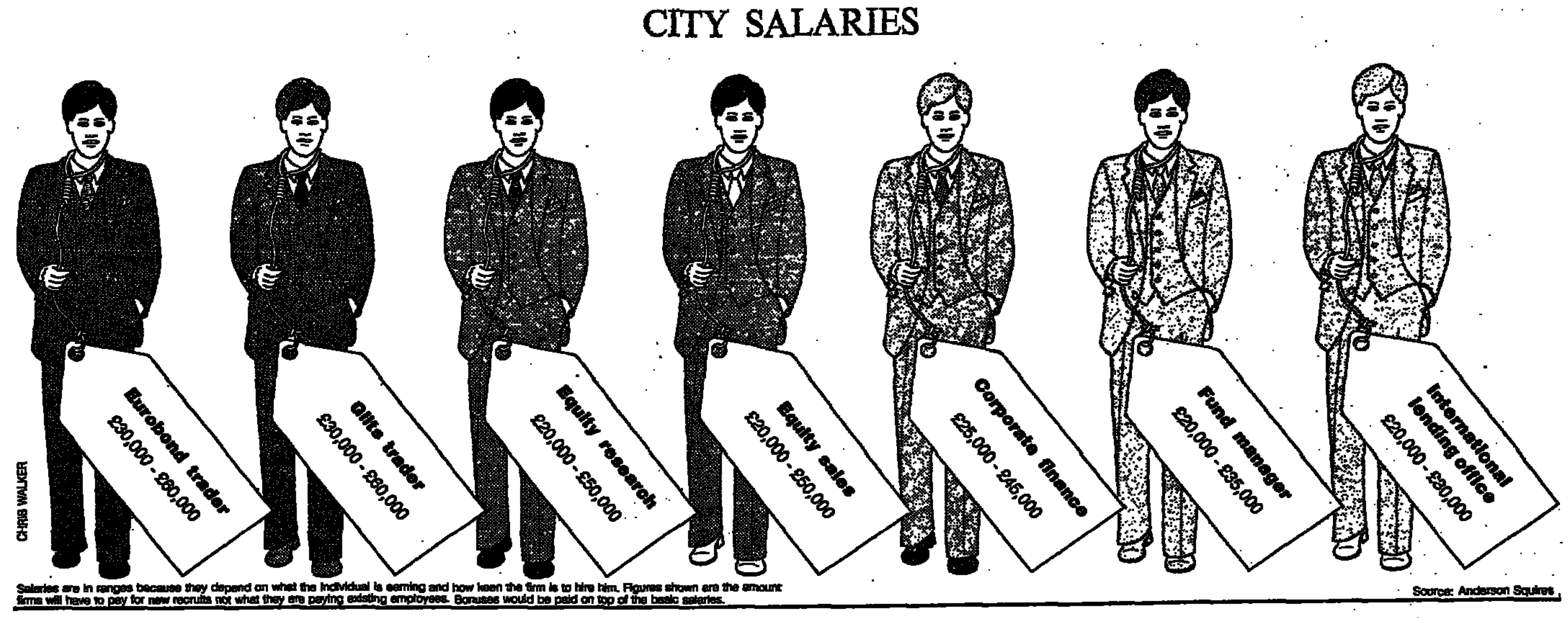
Mr Keating's cool comment yesterday—"We have turned the corner"—understates how much of struggle it has been. It is also significantly different in tone from his own warnings of last year that Australia was in danger of becoming a banana republic.

Unfortunately, there are some serious obstacles to surmount before the economy gets right round the corner and onto the home straight towards renewed prosperity. Above all, there is still no sign of any determined effort to reform the labour market.

The Government has feebly succumbed to union pressure and withdrawn its proposed Industrial Relations Bill. It has shelved some privatisation plans. The accord with the unions appears increasingly fragile and unproductive, with some of the stronger labour organisations reverting to their bad old ways. The current coal strike has a sense of Australian deja-vu about it. There is a growing danger that the incomes policy could unravel in the traditional way.

Ultimately, Mr Keating's efforts to restructure the economy will be fettered unless the industrial economy is deregulated more energetically. The corporatist approach is likely to hamper rather than hurry the cracking of the structural rigidities which continue to impede the economy. Ironically, only a Labor Government in Australia could tackle this issue with the unions. The signs are that under Mr Hawke it is unlikely to do so, barring another rabbit from the hat.

CITY SALARIES



Salaries are in ranges because they depend on what the individual is earning and how keen the firm is to hire him. Figures shown are the amount firms will have to pay for new recruits not what they are paying existing employees. Bonuses would be paid on top of the basic salaries. Source: Anderson Squires

Twilight of the silly season

Hugo Dixon reports on pay levels after Big Bang

DO NOT weep for the investment bankers, stockbrokers and fund managers of this world. We have not yet reached the era of second-hand sports cars and the forced sale of homes in Fulham. Those employed in the City of London are still earning several times as much as other Britons.

But, as this week's 150 redundancies at Shearson Lehman Brothers, the leading American investment house, have shown, the City is not all glitter and gold. The times of upwardly spiralling salaries—when new players in London's financial markets poached teams of (sometimes indifferent) analysts, traders and financiers from one another in preparation for last year's Big Bang—are now on the wane. The job swapping market remains active, but for the most part, pay is stagnant or growing only modestly and, in some markets, the shake-out has begun.

The Shearson redundancies are an across-the-board cost-cutting exercise, affecting all markets and reflecting over-ambitious expansion over the past year. In equities, the firm is reducing the number of stocks in which it makes markets from 400 to 200. This comes on top of the decision by Greenwell Montagu Securities, Midland Bank's stockbroking arm, to pull out of equity market-making completely in March. So far, however, salaries in equities have held up well, partly the result of new players such as the Japanese coming into the market and partly because of this year's raging bull market.

In the gilts market, the picture is bleaker. Twenty-seven firms became market-makers at the time of Big Bang, fighting over what was previously the preserve of a handful of jobbers. In such an intensely competitive market, firms have found it difficult to earn large enough revenues to justify their overheads.

Lloyds Bank pulled out of gilts completely in June. Morgan Grenfell slashed its gilts staff by half in July (laying off 12 employees and redeploying a further five) and last week Kleinwort Benson dismissed two floor traders for whom it said there was no longer a role. With the continuing overcapacity in the market, it is unlikely that the shake-out will stop here.

Meantime, many of those made redundant are still out of a job. Janet Shields, a 28-year-old gilts salesperson made redundant by Lloyds, is one. She went into the City five years ago, after finishing a degree in economics and mathematics at Kent University, and moved to Lloyds last year because she felt there would be greater opportunities in working for a new outfit.

Now, having to live off her savings because she has been unsuccessful in job-hunting, she is bitter at Lloyds for taking what she believes was a short-sighted view in pulling out of the market so soon after Big Bang. Even so, she plans to stay in the City. "I'm stuck," she explains. "To earn the same salary elsewhere—it's probably impossible."

By contrast, John Scrope, 55, and one of the casualties at Morgan Grenfell, will not be continuing in the rat race. He left a low-paid job as a land agent in 1957 to "have a twirl in the City" and joined Pember & Boyle (now subsumed in Morgan) in 1960. His plan is to get back into land agency; he says he has spent too many hours commuting by train and wants to lay more emphasis on the quality of life.

In other markets, there has been a slow-down rather than a shake-out. Salaries in fund management, equity research and certain niche euromarkets such as international equities, are still going up, but not as rapidly as last year. Big Bang was a one-off event, which allowed firms to pile into markets from which they were previously excluded. The pace of salary rises was bound to moderate once slots were filled, people retrained and larger numbers of graduates sucked into the system.

The City is in a period of consolidation. Firms are absorbing new employees, assessing their quality and looking at ways of cutting costs. This is not just a British phenomenon. The Shearson Lehman redundancies were the result of a review of the firm's activities worldwide.

Salomon Brothers, another leading Wall Street house, is nearing the end of a similar "strategic review." Bob Salomon, in charge of equity research, admits costs are a concern and that "there may well be some businesses we intend to shrink."

This consolidation phase has several characteristics. First, skills which were initially in low demand are now being clamoured for, and vice-versa. In the run-up to Big Bang, institutions concentrated on recruiting glamorous front-office staff — traders, sales people, corporate financiers. But they neglected to build up efficient back offices to support these activities — witness the Stock Exchange settlement crisis.

In the past few months they have been in the market for clerical staff to remedy this oversight. But a shortage of applicants with the relevant experience has meant that salaries have shot up. Back-office managers can claim salaries of anything between £40,000 and £100,000, and stockbroking settlements clerks with two years' experience can expect to be paid £14,000 to £18,000. This is still small beer compared with the £30,000 to £60,000 being paid to Eurobond traders with two years' experience—but the back office is no longer quite the Cinderella it once was.

Other previously neglected support functions, such as personnel management and accounting, are also coming into their own. As operations have become more complex, higher salaries have had to be paid to attract people capable of taking control of them.

A second feature of the consolidation phase has been a flight to quality. Headhunters confirm that candidates for jobs are less interested in what they are going to get paid than they used to be and more worried that the firm they are joining is still going to be active in their particular market in a year's time.

Andrew Stewart of BBM says it is important for employees that they are working for a survivor. Kate Syms of Michael Page City says a major factor influencing candidates is security. Mr Ken Anderson of Anderson Squires has noticed a "flight to balance sheets." In particular, he argues that capital-rich Japanese firms are finding it easier to hire people without paying "silly money."

Peter White, in charge of personnel at Nomura, the largest Japanese securities house, makes a similar point. This autumn, 35 graduates, about half of them from Oxford or Cambridge, are joining the firm, making Nomura one of the largest hirers of graduates in the City. According to White, they have beeen attracted by Nomura's long-term commitment to its business and to its staff, the emphasis it puts on training, and are not put off by the fact that it is Japanese. "We would be one of the last companies in the City to lay off staff if we ran into business problems,' he claims.

Another reason Nomura may have had such success in attracting new graduates is that it is paying a starting salary of £16,000 this year, 25 per cent more than last year. This is more than the £12,500 Midland Montagu is paying its gradate recuits and the £13,500 which Schroders, the British merchant bank, is offering. But it is still less than the £17,500 being paid by Credit Suisse First Boston, the international investment house, and even higher amounts are being offered by some American institutions. Graduate Salaries were mostly decided at the beginning of the year and so have yet to feel the slowdown experienced in the rest of the City.

A third feature of the post-Big Bang job market has been the absence of golden hellos—bribes usually paid to teams of people to entice them to leave one firm and join another. Fewer teams are being hired so there is less need for the hellos.

Similarly, golden handcuffs—designed to tie an employee to a particular firm by spreading remuneration for joining over several years—have started weakening (although most contracts do not run out until next year). Some employees have been prepared to lose the last slice of their payment in order to move to better firms. There is also a new phenomenon—the golden goodbye—where a firm offers to compensate a prospective employee for losses sustained because of the golden handcuffs imposed by his previous employer.

A fourth feature has been innovation in bonuses, as firms try to measure the performance of their staff more accurately. A higher proportion of a salary is now generally made up of a profit-related bonus than at the time of Big Bang. There has also been a trend towards linking bonuses to the profits of smaller groups within the organisation, though this has the inevitable snag of increasing intra-firm rivalries.

The big question is what happens when this consolidation phase comes to an end. Is this the beginning of a major downturn in City salaries? Or is it just a short-term correction, after which salaries will continue to climb with renewed vigour?

Much depends on a strategic view of where the City is heading. Some American organisations may prune their operations, some British firms may not have the nerve or capital to keep plugging away at businesses which involve large start-up costs—but London's position as the key financial centre in the time zone between New York and Tokyo is virtually impregnable.

What is more, the Japanese and continental Europeans have only just arrived. Nomura, for one, plans to expand its 800 staff by between 30 and 70 per cent over the next year; that means it will add considerably more staff than Shearson is shedding. Some Japanese may even apply to enter the gilts market, as they will be allowed to next month; this would help mop up those made redundant from the Lloyds and Morgan Grenfell shake-outs.

Set against this is the health of financial markets in the short to medium-term. If the bull market is near its end and is to be replaced by a bear market, the redundancies have only just started.

Men and Matters

Reagan warns of pitbull terrors

President Reagan has introduced a new phrase into the financial lexicon: "pitbull economics."

"It'll look harmless, but let it loose and it'll tear America's future apart with high taxes, new and costly programmes, and protectionist trade policies," he has told the National Alliance of Business in Washington.

During the summer, American newspapers have been full of stories about pitbull terriers and their alleged gruesome attacks on pedestrians in the inner cities. The pitbull has turned from being a cuddly canine with an ugly mug into a ferocious beast in the public mind within a matter of weeks.

Whether pitbull economics turns out to be more damaging to the nation than "voodoo economics" — vice president George Bush's description of supply side theory—is perhaps best addressed to Reagan's phrase-makers at the White House.

Offshore Hazard

Even in an offshore haven, it seems, the taxman can be accused of being over-zealous.

The financial community in Guernsey is upset over what it sees as a sly move to tax capital gains in an island that boasts of having no such levy.

The trouble is over profits made from share dealings.

With several stockbrokers now operating in the island and Britain's privatisation offers encouraging more people, as on the mainland, to start having a stock exchange flutter, share transactions have been booming.

But do profits from these dealings represent a capital gain, in which case they are not taxable in Guernsey, or are they earnings liable to the island's 20 per cent rate of income tax?

In neighbouring Jersey the tax collectors do not worry about share profits except, perhaps, if someone is known to be virtually making a business of it. To do otherwise, according to one Jersey accountant, would be acting in a way "totally alien to the Channel Islands."

But in Guernsey it appears that the tax office is taking a much tougher line and is quizzing people about their share transactions.

Guernsey's tax office claims it is doing nothing new and is simply trying to find out, as it has always done, whether a person's share dealings amount to a source of income. While some accountants admit it is a "grey area" the financial community sees the development as sufficiently menacing for representations to have been made to the tax authority by local professional bodies. One Guernsey professional adviser who understandably wants to remain anonymous says: "I wouldn't mind so much if they came out with it openly and asked on the tax form for details of share dealings.

But what they want is the best of both worlds. They want to pretend Guernsey has no capital gains tax, and then they get nasty with particular individuals."

Yankee touch

Gallic pride is safe. The Arc de Triomphe, symbol of French patriotism, will be restored by French hands and not alien American ones.

Shaken by over-enthusiastic tunnelling for the Paris Metro and traffic, and ravaged by bad weather and exhaust fumes, Napoleon's 10,000 tonne monument is crumbling. Huge nets have been hung under it to catch falling stones.

An offer by American Express to meet the cost of renovating the Arc (around $3bn) last spring caused uproar among patriots. The shrill right wing Figaro newspaper called on the government to reject the offer for the sake of "national dignity."

Now, according to the French business magazine L'Expansion, a dozen companies, including the advertising agency Publicis and the Credit Lyonnais bank have clubbed together to fund the restoration of the monument. They hope to complete the renovation in time for the bicentenary of the 1789 Revolution.

But the plan, to be announced later this month, may not appease all French patriots. One of the companies involved in the project is none other than American Express — France.

Raising the roof

As the newly-appointed managing director of the British Museum development trust, Giovanna Michelson, aged 32, will be responsible for all fund-raising for Britain's longest established museum.

She is well qualified for this new life amid the Elgin Marbles. Although she has been working in the City of London for the past seven years, she is also an archaeologist, educated at Harvard and Oxford.

She published a book on Islamic Carthage before forsaking academic life to take up a job in corporate finance at Lazard. She ended up in charge of European capital markets at Kidder Peabody, the US investment bank.

She takes the view that finding sponsors for high-profile, glamorous one-off exhibitions is a simple matter. What is more difficult, she maintains, is finding companies willing to pay for the wiring, the drains, and the roof of the splendid Bloomsbury building (which has not been mended properly since it was damaged by bombs in the war).

Before going off to the US to see how they tackle such problems over there, she has already made her own contribution to the museum's finances by accepting a salary which would be considered derisory by City standards.

The drop in salary is, she says, "Massive—but well worth it."

Royal standards

Look out over the coming months for the Prince Charles trophy for quality control, or some other such indication of a royal seal of approval for this vital, though relatively little discussed, aspect of manufacturing industry.

Ever eager to immerse himself in matters of public interest, the prince became enthusiastic about quality procedures after visiting the Oxford factory of Research Machines, a rapidly expanding British computer company which pays great attention to the production side of its business.

Then followed a few discreet inquiries from the prince's staff to the trade and industry department. Was there anything, the Buckingham Palace minions asked, what the prince could do to give quality control a higher profile?

As it happens, the department has become rather keen itself in this area over the past couple of years and has a quality education division to spread the word in Britain's manufacturing heartlands.

Talks are now taking place to see how Prince Charles could lend a hand. My informant tells me that several ideas have emerged, though for the moment nothing has been settled.

Observer

An interview with Kiichi Miyazawa the Japanese Finance Minister

Looking West from the limelight

By Ian Rodger in Tokyo

"THE ACCUMULATION of past experience makes it difficult for me to adjust to what is expected of Japan today." Kiichi Miyazawa, Japan's Finance Minister, and one of the leading candidates to succeed Yasuhiro Nakasone as Prime Minister next month, probably speaks for the majority of Japanese people when he makes this complaint.

The speed with which the country has been thrust into the international spotlight has taken most Japanese aback. "All of a sudden, without really being prepared for it, you get up in the morning to find yourself famous," Mr Miyazawa said in a wide-ranging FT interview this week.

Like Japan itself, Mr Miyazawa too has suddenly been catapulted into a position of prominence in the past year. When he came to office in August, 1986, pressures on the Finance Ministry from two sources were reaching intolerable levels. On the one hand, Japanese industrialists were frantically calling for an end to the rapid rise of the yen. On the other, foreign governments were becoming increasingly strident in their demands that Japan become a locomotive of world economic growth instead of just a selfish beneficiary of everyone else's growth.

Mr Miyazawa has been instrumental in easing the pressure on both fronts. He struggled hard to rally first the US Administration and then the finance ministers of other leading industrialised countries to the view that a further increase in the value of the yen would not be helpful. And he succeeded. There have been a few exchange rate scares in the past year, but the yen-dollar exchange rate today is much the same as it was a year ago, and there is a commitment by the group of five leading industrialised countries (G5) to maintain currency stability.

Despite widespread scepticism about its effectiveness, Mr Miyazawa believes the G5 agreement is going to be a long-term requirement. "The policy co-ordination among us is the *sine qua non* in stabilising exchange rates. If necessary, joint action in the market would certainly be a great help. These are both very important elements in foreign exchange stability."

Mr Miyazawa can also claim some credit for the abrupt change in the Japanese Government's economic policy this year towards stimulation, in the face of strong opposition from Finance Ministry officials. The stimulus has already contributed to a strong domestic recovery which, in turn, is helping to ease the country's bloated trade surpluses. Japan's trade surplus in August was nearly a third lower than it was a year earlier.

Anyone who has known Mr Miyazawa would not be surprised at this demonstration of awareness of international issues and skill in dealing with them. Despite his protestations about being unable to adapt to Japan's new position in the world, he is, in fact, one of the most cosmopolitan of the country's current leaders, and has a strong sense of its new responsibilities. For example, he thinks Japan should take a leading role in finding solutions to the debt problems of the developing countries. Also, he fully supports foreign pressures to make Japanese financial institutions "play by the same rules" as other participants.

Mr Miyazawa's first contact with the outside world came in 1938 when, at 19, he went on an exchange programme to study in the US. "That is where my belief in freedom and democracy started."

He graduated from Tokyo University in law in 1941 and immediately joined the Ministry of Finance. He has no military record. After the war, partly because of his knowledge of English, he played a key liaison role between the ministry and the US Occupation authorities. He switched to the political side of government in 1952 and has held a succession of senior cabinet appointments through which he has been involved in Gatt negotiations, OECD meetings, economic summits and other international activities ever since. His daughter married a US diplomat.

Occasional rumours that he harbours anti-American sentiments from the Occupation days leave him astonished. "Nothing could be further from the truth. I certainly regret our being under occupation, as anybody should, but that's all. I think I am one of the best friends of the United States."

Indeed, when talking of relations between Japan and the US, he is quick to blame Japan for much of the recent tension. "Knowing our relations for 40 years, I think they are basically sound. If anything, the problem lies here more than there. Japanese people as a whole are not fully aware of their status now in the international arena or of the change in the relations of our two countries. It has ceased to be a bigger brother, smaller brother relationship. Maybe the US is still bigger than we are, but that bigger brother concept must change."

On the other hand, he shows great patience and understanding of the US Government's difficulties in reducing its trade and budget deficits. "I know our friends in the United States—from President Reagan down to (Treasury Secretary) Jim Baker in the Administration have been very sincere in their efforts to reduce the deficits."

Mr Miyazawa believes that if the US Administration is paralysed on some issues, then Japan must take the initiative. For example, he said that he planned to propose ideas for solving the less developed country debt crisis at the International Monetary Fund meetings next week in Washington. He was attracted to the idea of debt-equity swaps and other forms of securitisation of LDC loans.

He also thinks Japan must move quickly to bring its commercial and industrial behaviour into line with international practice. For example, he heartily endorsed the recent foreign pressure on Japanese banks to bring their capital ratios up to international standards.

(For a bank, capital is a major expense as well as a vital source of security against the emergence of major bad debts or other large unexpected calls on its resources. Japanese banks hold relatively little capital, and so their costs are lower than other Western banks, giving them a competitive advantage when offering loans. However, Western banking authorities argue that the Japanese banks' lack of capital weakens the entire international banking system.) In an apparent reference to the US Federal Reserve Board's severe restrictions on an investment early this year by Japan's Sumitomo Bank in the US investment bank, Goldman Sachs, Mr Miyazawa suggested that this was a warning to Japanese banks. "It was perhaps indicative of American awareness of the danger coming from Japanese competitors who are not playing the game by the same rules."

He also suspects that bank surveillance needs to be tightened in most industrialised countries because of the increasing volume of highly speculative financial operations. "Because of the world-wide *shortage of effective demand*, there is little investment in manufacturing industry, so money tends to be in excessive supply, and so there comes Zaitech (the Japanese term for the practice of managing surplus funds aggressively by industrial companies). I think the trend is rather unhealthy. The basic ethic of our industrialised nations is to produce value with sweat and blood—manufactured goods, services, whatever. Zaitech does not create anything of genuine value."

Mr Miyazawa's strong awareness of, and views on, Japan's place in the world will probably not be much help to him in the forthcoming leadership race to succeed Mr Nakasone. Because of them, he is the preferred candidate of businessmen and bureaucrats, but the two other leading candidates, Mr Noboru Takeshita, a former Finance Minister, and Mr Shintaro Abe, *a former Foreign Minister, may* succeed in forming an alliance to beat him.

However, he makes clear that he intends to stay around, regardless of what happens. "The three of us are all aware that we are at a very critical stage in Japan's international relations, and that we should join our efforts to overcome these difficulties. We have agreed more than once in the past that we will co-operate in whatever capacity we find ourselves in. That still applies, I think."

Miyazawa: catapulted to prominence.

UK education policy

When reform could mean destruction

By Frances Morrell

THE UK PUBLIC education service needs reforming and a consensus could be built for *change. There are thoughtful* members in all political parties who support in principle both a national curriculum and the regular monitoring of children's achievement.

What a pity then, that the *initiatives of Mr Kenneth Baker*, the UK education secretary, will be undermined by his plans for a high-speed shake up of the management of the service. These plans worry professional educators. The board of any well run private sector company would reject them in their present form.

Effective management is essential for success in both public institutions and private companies. The education service is in need of this reliable process just as much as, say, Marks & Spencer. The scale of the problem is very different.

Statutory education is a huge operation. It involves 27,503 schools with a total of 693,000 employees, providing education *for 8m children. It has an* annual turnover of £10bn. Its fixed assets probably have a £50bn replacement value. It supplies 90 per cent of the market and represents one-thirtieth of the economic activity of the country. Incredibly, the operation of a service involving nearly 30,000 separate institutions is to be switched, without preparation, from a planned system under area management to a market led arrangement of competing organisations within about 12 months.

The new structure and its working relationships have never been the subject of a pilot experiment: instead they seem to have been sketched on the back of an envelope two weeks *before the General Election* campaign. At the press conference to launch the proposals neither the Prime Minister nor her Secretary of State were clear about very important aspects of their scheme.

*What are the real manage*ment weaknesses in the service, apart from the curriculum, and how far will these measures relate to them?

The refusal of Government to accept responsibility for efficient performance of its own functions would be identified by most detached observers as a key obstacle to well organised delivery of the service.

I would identify three areas of mismanagement. Firstly, Government is responsible for deciding the level of permitted spending by local authorities on building and renewing its schools.

I am told that a business would think it normal to allocate 2 per cent or 3 per cent of the value of its capital stock each year for renewal of those assets. If this principle were applied to schools, we would be spending £1bn to £1.5bn a year. In England and Wales, Government is allocating only £300m for all capital spent on schools, a figure which represents just ½ per cent of its capital value.

Second, despite the difficulties that many graduates are experiencing in finding work, the country is short of teachers, in consequence of the Government cut back in the number of teacher training places.

This shortage is felt most keenly in the inner city areas. *In the last year in places like* Hackney and Southwark children remained at home with their parents because it was not possible to recruit teachers. One added difficulty is that even when young teachers who *want to come* and *teach* in the inner city are recruited they cannot find anywhere to live in the area. Their salary levels do not permit them to buy. Local authorities facing a housing shortage because of analogous capital controls find it difficult to help with accommodation.

Local authorities this summer have been recruiting as far afield as Australia: and of course the cost of finding each teacher is rising as authorities desperately compete with fringe benefits to induce teachers to move into their area.

Third, most private sector companies could not afford to exacerbate such a situation by industrial relations tactics like those being pursued by Government. After an unprecedented three-year dispute between Government and teachers we will not witness a return to normal working. The settlement of the dispute was imposed. The contract has not been agreed, and at the same time the right of collective bargaining has been unilaterally removed. The fall in the *quality of education provided* to children as a result of the cessation of non-contractual duties by teachers has been drastic and countrywide.

In a rational world, the systematic deterioration of capital stock, shortage of key workers and sustained industrial relations problems, combined with an ambitious plan to reorganise and monitor the school curriculum, would point to the need for stability and the building of consensus.

Instead, Government is planning to add to all this by turning the operation of the schools service upside down. The basic features are well known. Schools will become virtually autonomous: some will retain a tenuous relationship with the local authority, some will opt out. Governing bodies drawn from parents and the local community will determine admissions procedures and face complications of the kind now occurring in Dewsbury.

Lay governing bodies will shoulder unpaid huge non-educational management responsibilities. They will be responsible, for example, for putting large contracts for internal decoration out to tender, agreeing the bid and managing the delivery. How the Audit Commission is going to cope with this happening in thousands of separate institutions is not easy to imagine.

The key point is that there are serious ethical, practical and educational drawbacks to this plan. The speed of its implementation forbids any possibility of thinking it through.

Children should not be denied educational opportunity because of parental income: they should not be educated in schools effectively segregated by social class or ethnic origin: they should not have a differently resourced education in con*sequence of these factors.*

Surely we should be resolving the existing problems in education rather than surging rashly forward into the creation of new ones. Or will it be said that our purpose is not to reform the services but to destroy it?

The author is a member of the Inner London Education Authority.

Letters to the Editor

Biotechnology and progress

From Professor A. Buckwell

Sir,—Giles Merritt performed a useful task in summarising (September 5) the technically exciting developments in agricultural biotechnology. He does, however, exaggerate the speed of uptake of some of these technologies and their consequential structural effects.

The use of the growth hormone bovine *Somatotrophin* (BSt) is a case in point. The conclusions of a series of studies on the economic impacts of BSt which I helped co-ordinate in five countries of the EC suggested that the uptake of BSt would be initially limited, and even in the longer run the penetration would not be to the majority of herds. The main reason for this, which Mr Merritt seemed to overlook, is that milk output in the EC is controlled by quota backed by penal levies. Farmers using BSt to produce a given volume of milk with fewer cows will enjoy feed cost savings which are almost entirely offset by loss of calf and cull cow revenues. Thus any gain from the use of BSt hinges on their ability to utilise the land, labour and buildings released from the milk enterprise. Only a limited number of milk producers will have such opportunities.

I have yet to hear any convincing reason why the "new biotechnology" will be fundamentally different in its structural impacts than previous technological changes which farmers have adopted over the past four decades. Farmers are rather calculating people in my experience and will utilise technologies because they provide more profit, not simply because they are "new."

(Professor) Allan Buckwell.
Wye College,
University of London,
Ashford, Kent.

Holidaying in Cyprus

From the High Commissioner for Cyprus

Sir,—I am surprised that you have condescended to publish Ms Cindy Selby's article, "The place for idleness" (August 29), *for, given your newspaper's* sophisticated foreign affairs coverage, your average reader is certainly better acquainted with Cypriot affairs than Ms Selby seems to be.

Rather than a travel feature, *Ms Selby's* article resembles more an amateur propaganda exercise with melodramatic overtones. The emotive impact, however, is only achieved at the expense of factual information, which is either distorted or omitted altogether.

Allow me, therefore, to point out certain facts of significance, which illustrate at least the moral issues involved. As a result of the 1974 invasion of Cyprus by Turkey ("civil war" is Ms Selby's euphemism) 180,000 Greek Cypriots, including the Kyrenian diver who discovered the ancient Greek ship, were forced to flee their homes. These thousands of refugees have never consented to their properties being exploited by an unrecognised regime which is only sustained by the illegal presence of the Turkish occupation troops. Since, with only two exceptions, all the 137 hotels and tourist establishments in the Turkish-occupied area of Cyprus are Greek Cypriot-owned, unsuspecting visitors to that area will in all probability be staying in expropriated Greek Cypriot property, such as the "Deniz Kizi Hotel" which Ms Selby recommends.

I am confident that, unlike Ms Selby, the discerning reader will consider at least the feelings of those thousands of uprooted Greek Cypriots who are still prevented from returning to their own homes, before deciding to visit what is innocently referred to as "northern Cyprus" and which is no other than the territory of the Republic of Cyprus illegally occupied by Turkish troops.

Tasos Panayides.
93 Park Street, W1.

Inflation in house prices

From Mr I. Baillie.

Sir,—Mr Griffith (September 7) appears to blame the non-application of CGT to increases of house values for the inflation in house prices. However not one of his reasons directly correlate with CGT as such; his reasoning is completely contradicted by experience in the Uited States where the equivalent Capital Gains Tax is applied to increases in values of personal homes and one still has all of the inflationary problems listed in his letter. One could even argue that application of CGT would emphasise the problem and owners would be faced with a considerable tax bill everytime hey moved to a smaller home and therefore would see little reason to sell until the increases in value eases the pain of the tax payment.

It would seem to me that the moral issue is still a relevant one — mainly why should one pay tax because of inflation so as to end up effectively worse off than when the home was originally purchased. The same rationale could be applied to all investments but one's home does have attributes other than investment and despite Mr Griffith's opinion I suspect only rarely would people buy primary homes as investments and indeed the cost of "maintaining" the investment and its liquidity (may I remind Mr Griffith of the early 1970s) are hardly conducive to investment being the primary consideration. These very factors and the possibility of tax being payable on an artificial increase in the value make the application of CGT a disincentive to home ownership, so grossly against present public feeling.

Iain Baillie.
20, Chester Street, SW1.

Life assurance sellers

From the General Manager, Prudential Assurance

Sir,—Representing Europe's largest insurance sales force, which provides a much needed and valued service to some 5m homes in this country, I really must protest at Mr Bunker's remarks (September 11) concerning the reputation of life assurance salesmen.

It is ironic that the LAUTRO rules should have emanated from the Gower report. In that report, Professor Jim Gower reviewed the role of the home service provided by industrial assurance companies. He said: "I have no doubt that this continues to perform a social service and that the salesman frequently becomes regarded as a family friend and helpmate." It is a sentiment we are confident the vast majority of our customers share.

In essence, the LAUTRO rules formalise what has been a voluntary code of good practice upheld by member companies of the Association of British Insurers for very many years.

Keith Bedell-Pearce.
142, Holborn Bars, EC1.

The Channel 4 question

From Mr Edmund Dell

Sir,—Raymond Snoddy suggests (September 12) that the Government is considering allowing Channel Four to sell its own advertising time while remaining a subsidiary of the IBA. I find it difficult to believe that such a proposal is under serious consideration. Of all solutions to the C4 question, that would be the most unsuit*able*. It would involve impossible conflicts of interest. That was clearly understood by the Peacock Committee when it made the recommendation about C4 that started this debate.

On a point of fact, the IBA did not prevent my writing to the then chairman of ITN complaining about the inadequacies of the early Channel Four news. I was simply asked by the IBA to withdraw my letter after it had been considered by the ITN board. Of course, I refused to withdraw the letter.

Edmund Dell.
4 Reynolds Close, NW11.

Charter flights

From Mr A. Lucking.

Sir,—There is a fatal flaw in Mr Davison's advocacy (September 10) of charter equality at Gatwick. Britain's outgoing salesmen, and our incoming customers, buying from regional firms, need the extensive network of connecting flights there. Mr Davison's customers do not — they nearly all arrive at the airport by surface. Their hardship, if transferred to Stansted, Luton, Manston or Hurn, is real, but less, though one realises that the airlines' costs will be increased somewhat.

The Secretary of State is correct to give priority to scheduled flights at Gatwick.

A. J. Lucking.
17 Broad Court,
Bow Street, WC2.

Morgans are not crude

From Mr B. Cowell

Sir,—I refer to John Griffiths' article (September 9) "When classic cars have to be rescued," in which he states that Morgans are relatively crude.

The definition of crude which I assume he is applying is "not completely thought out or worked up, rough, unpolished, coarse."

Morgans have a hard ride, are simple, robust and light, and have been developed over nearly 80 years. There is no point in complication for the sake of it although the current models do incorporate electronic technology.

Are Morgans crude? They are not!

Brian Cowell.
Carisbrooke House,
Hucclecote, Gloucester.

Vienna is not stodgy

From Mr P. Herberth.

Sir,—Without wishing to deprecate the delights of Budapest, which I have visited three times (Hungary survey, September 11), I object to Leslie Collitt's description of Vienna as "stodgy." As a native of, and frequent visitor to, Vienna I find his description offensive and inaccurate. I am sure other readers can testify that Vienna is anything but stodgy by almost any criterion.

P. Herberth.
25 Follingsby Drive, Gateshead, Tyne and Wear.

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FINANCIAL TIMES

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Britain accuses EC of attacking its tax system

BY WILLIAM DAWKINS IN LUXEMBOURG

BRITAIN YESTERDAY accused the European Commission of trying to use the European Court in Luxembourg to mount a "misconceived" political attack on its national tax system.

The accusation came during the UK's defence against the Commission's campaign to force it to fall in line with other European Community member states and charge value added tax (VAT) on most new buildings, power, water and sewerage services for businesses, and a varied list of other products from newsagency services to farm animals.

Ireland is also under attack for giving VAT exemption to a small range of goods and services, including electricity for industrial use, seeds and fertiliser. Brussels maintains that none of these satisfy the two key conditions which VAT exemptions must meet under EC rules to qualify for VAT zero rating: clearly defined social reasons or benefit of the final consumer. However, local authority-owned houses in the UK can continue to benefit from tax relief because they form an important part of Britain's social policies, the Commission said yesterday.

The Commission's first public explanation of its legal attack received a noticeably sceptical reception from the 14-judge panel, which is expected to produce its final decision next spring. If Brussels' demands were met in full, there would be a 15 per cent tax on UK new house prices, which could add up to one percentage point to the inflation rate and strike at the heart of the government's home ownership and economic policies.

The outcome of yesterday's hearing will have a major bearing on the UK's power to resist what it sees as an attempt to erode its sovereignty.

Mr David Vaughan, the UK's counsel, said yesterday: "We don't see this court as being a by-pass for the Commission to avoid future political decisions...The Commission is trying to achieve through judicial methods what should be done through political methods. This is fundamentally misconceived." Brussels was trying to impose "rigid distinctions" on Britain's own social policies.

However, Brussels yesterday showed some flexibility on what it could accept as social reasons for VAT zero rating. Governments should have "a margin of discretion" on the issue, Mr David Gilmour, the Commission's legal adviser, said. At the same time, it wanted tougher limits on the extent to which benefits to the final consumer could be cited.

That meant restricting relief to products in the hands of consumers at the end of the retail chain.

Britain and Ireland argued that the rules should be broader, to include people at the end of any transaction involving consumers' social interests - a distinction which produced some comic moments

It was illogical for the Commission to insist VAT should be paid for a farm animal awaiting slaughter, when it was just as close to the consumer's table as a seed potato (for which Brussels allows tax exemption as food), Britain argued.

The logical extension of that view - as argued by both the UK and Ireland - was that animal feed should also continue to be exempt because it becames meat. But where does the Commission draw the line, asked a puzzled Mr Giacinto Bosco, the judge handling the case.

"You might as well ask me if hay is food," replied the Commission's Mr Gilmour. He continued: "Would you like to have hay for lunch my lord?" Mr Bosco did not reply.

EC passport to financial liberalisation

Quentin Peel charts the latest remarkable steps towards the creation of a 'single economic and financial space' in Europe

Jacques Delors: cold feet?

Nigel Lawson: already convinced

THE FINANCE ministers and central bank governors of the European Community are a sober and cautious bunch of men with a penchant for meeting in grey and windswept places.

Yet such dismal surroundings seem to concentrate their minds on decision-making.

Last weekend, as the rain hammered on the windows of the Hesselet Hotel in Nyborg, a decidedly bracing sort of resort on the Danish island of Funen, they took another crucial step along the path to the ultimate goal of complete freedom of capital movement in the Community.

The latest package of measures to strengthen the operation of the European Monetary System, and perhaps more importantly the agreement to step up the regular monitoring and co-ordination of monetary and economic policies in the 12 member states, opens the way for talks to begin on the final phase of scrapping exchange controls on cross-border money transactions.

The progress is all the more remarkable in that less than two years ago the ministers had not taken a single decision on capital liberalisation for 23 years - since the original six member states set out on that path in 1962.

Then, in October 1985, they agreed on a modest measure to allow unit trusts and similar collective investment funds to operate freely across EC frontiers. In May 1986 they were presented with a further package of capital liberalisation moves designed to remove all remaining restrictions on money movements directly related to trade and investment.

Those barriers were more apparent than real. Most had already been abandoned in Britain, West Germany, the Benelux countries and Denmark. When they were scrapped six months later - almost a record time for EC decisions - France rapidly fell into line, in spite of years as a staunch defender of exchange controls.

Only Italy, with relatively modest controls, Greece, Spain, Portugal and Ireland remain outside the fold, protected from the full force of liberalisation for the time being by safeguard clauses.

But if progress to date has seemed all too easy, the next step may be much harder. It is intended to take the process beyond those medium and long-term transactions tied to trade and investment, and into the short-term transactions of the money markets, personal bank accounts and purely financial loans - in other words, into the realm of purely speculative money flows.

Mr Jacques Delors, the president of the European Commission, who has been the driving force behind the progress of the past two years, now almost appears to be suffering from cold feet himself. If not, then he is simply trying to scare the finance ministers into facing up to the likely problems well in advance.

On the one hand, the final phase of capital liberalisation is the one which should bring the process of creating a "single economic and financial space" in the EC home to the widest audience: it will allow individuals to open bank accounts in foreign currencies, transfer money for whatever purpose they like (except presumably criminal ones), and remove the need for tedious administrative controls.

On the other hand, it will mean that individual central banks will lose control of purely speculative money movements, and must therefore co-ordinate much more closely their monetary policies and interest rates to maintain currency stability within the relatively narrow bands of the EMS.

It was that "reinforcement" of the EMS which Mr Delors, and his successor as French Finance Minister, Mr Edouard Balladur, sought and won at the weekend. In particular, the West German Bundesbank was persuaded to agree to a system of greater intra-marginal intervention to support weak currencies before they fall to their floor in the exchange rate mechanism of the EMS.

Mr Gerhard Stoltenberg, the West German Finance Minister, made it clear he thought the reinforcement was quite enough for the foreseeable future: the top priority now must be to press ahead with the final phase of capital liberalisation.

"Preconditions must be kept to a minimum," he said.

Mr Nigel Lawson, the British Chancellor of the Exchequer, shares the same point of view, but others are far more cautious.

The key problems spelt out by Mr Delors are those of prudential regulations and fiscal control.

In the first place, he says, free movement of capital must go hand in hand with complete liberalisation of financial services, such as banking and insurance. Yet it is in precisely that area that a conservative country like West Germany has extremely strict prudential rules to protect investors, which it is unwilling to relax to allow other EC operators into its markets.

Second, allowing individuals complete freedom to move money from one member state to another could give rise to widespread tax evasion, unless there is a greater degree of tax harmonisation or co-operation between tax authorities.

Finally, the Commission President again criticised the failure of the UK Government to bring sterling fully into the exchange rate mechanism of the EMS.

If sterling was still outside the system when he tabled his plans for the final phase of liberalisation, he warned, then other member states might refuse to go along with it for fear of "unfair competition" from the UK.

Although the ministers at the meeting were much too polite to put it that way to Mr Lawson - they believe he is already convinced himself, but cannot persuade Mrs Margaret Thatcher, the UK Prime Minister, to take the plunge - there is widespread agreement with Mr Delors' views.

Australian budget surprise for markets

BY CHRIS SHERWELL IN SYDNEY

AUSTRALIA'S RECENTLY re-elected Labor Government yesterday surprised financial markets by unveiling a near-zero deficit budget for the 1987-88 fiscal year ending next June.

The "painless" budget was in line with promises from Mr Paul Keating, the Treasurer, that there would be no new taxes and no tax increases. It also redeemed pre-election promises of a family assistance package and higher spending on education and training.

The projected deficit of just A$27m ($19.5m) - the lowest for 30 years as a percentage of gross domestic product - reflects real government spending cuts and asset sales announced in May and buoyant tax revenues.

Mr Keating hailed the budget as a vindication of the Government's economic adjustment policy to overcome the country's external trading difficulties without plunging into recession.

He pointed to a projected decline in the current account deficit from A$13.6bn to A$11.5bn and to a forecast rise in real growth from 2 per cent to 2.75 per cent.

According to the Government's budget documents, the current account deficit will fall from 5.1 per cent to 4 per cent of gross domestic product. But net external debt - put at A$83bn in June - is expected to continue rising faster than nominal GDP.

Argument is also likely over the way in which asset sales are accounted for and, in turn, the true size of the government deficit. The final 1986-87 figure was A$2.7bn.

The documents show total federal government outlays for 1987-88 of A$78.15bn - down A$300m on the figure in Mr Keating's May economic statement.

The spending figure represents a significant decline of some 2.4 per cent in real terms on the 1986-87 total, after allowing for a still-high expected inflation rate of about 7 per cent.

Government revenues are forecast to rise 8.2 per cent to A$78.12bn, and it is clear the better than expected revenues of last year - despite lower growth and reduced personal tax rates - have laid the ground for the near-zero deficit.

The main factors behind the improvement include the more efficient collection of individual income tax, a higher corporation tax and buoyant revenues from the new fringe benefits and capital gains taxes.

On asset sales, Mr Keating confirmed that the Government had dropped the sale of eight international air terminals. Despite this, he estimated that proceeds from other sales promised in May would still be around A$1bn.

Mr Keating promised another A$1bn-worth of sales in 1988-89, mainly the mortgage portfolio of the Defence Service Homes Corporation, which subsidises home loans for veterans.

Editorial comment: Page 24

N Koreans to sign debt accord

By Stephen Fidler in London

NORTH KOREA has staved off the immediate threat of court action by Western banks to seize its assets in the UK by agreeing to sign a debt rescheduling accord.

The country was declared in formal default on loans totalling DM1.4bn ($777m) last month, an unusual move against a sovereign borrower which allowed the banks to start action in English courts to impound North Korean assets.

The action would have been brought in the English High Court because English law effectively covered the loan agreements, but lawsuits would probably have followed in other countries.

The fear that the action could disrupt its international trade appears to have prompted the surprise, last-ditch approach to the banks by the North Koreans. At this stage, the two sides have only exchanged letters undertaking to sign a detailed debt restructuring agreement.

The accord which North Korea has said it will sign will spread out repayments on the debt over 12 years. There will be a four-year grace period before repayments of principal start.

The banks have said only that they will hold the court action in temporary abeyance. The North Koreans have been given a deadline of October 2, by which time they should have signed a formal agreement and also made a down payment of DM60m.

Bass of UK buys Holiday Inn division

BY DAVID CHURCHILL, LEISURE INDUSTRIES CORRESPONDENT, IN LONDON

THE BASS brewing, pubs, and leisure group of Britain, yesterday bought the Holiday Inn hotel chain outside North America and Mexico from Holiday Corporation, Holiday Inn's US-based parent, in a deal worth $475m (£290m).

In addition, Bass is paying £100m for convertible debentures in Holiday Corporation which, when converted, would give Bass a 9 per cent stake in the US company.

The move follows Bass's failure to buy the Hilton International hotel chain, acquired by that Ladbroke Group earlier this month for £645m.

Holiday Corporation is the world's largest hotel group with more than 1,800 hotels in 52 countries. It also owns restaurants and casinos in the US.

It agreed to the Bass bid for its international hotel interests to reduce its borrowings and to fund further developments in leisure markets in the US, it said.

Mr Ian Prosser, Bass's group managing director, said: "Of course we were interested in buying Hilton International but we feel we have a very good deal with Holiday Inn which enables us to expand our hotel business considerably."

Bass bought four Holiday Inn hotels earlier this year for £55m in cash and had been expected in the City to expand more slowly and build up its UK-based 117-strong Crest hotel chain.

Under the agreement with Holiday Corporation, Bass takes over the exclusive rights to the Holiday Inn name outside the US, Canada, and Mexico.

The deal also includes 13 hotels in the US which Bass will operate under a franchise agreement from Holiday Corporation.

Holiday Corporation will continue to operate Holiday Inns in the US as well as its two other hotel chains, Embassy Suites and Hampton Inns.

Of the 165 Holiday Inns which come under Bass's control outside North America, 135 are operated as franchise, management or joint ventures. A further five are wholly owned or leased hotels, and the deal includes 25 hotels under construction.

Fifty-nine are in Europe, 11 in the Middle East, 25 in Africa, 30 in the Far East and Australia, and 15 in the Caribbean and Latin America.

The deal is expected to be completed in the first quarter of next year.

Bass and Holiday Corporation will form a joint venture to enable the continued use of Holiday Inn's satellite room reservation system and to develop a joint marketing programme.

Bass shares closed at 982p, up 13p on the day.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	25	79	Dubrovnik	S	32	90	Malta	S	32	89	Rhodes	S	27	81
Algiers	S	31	88	Edinburgh	C	15	59	Manchester	F	15	59	Rio de Jo	-	-	-
Amsterdam	S	17	63	Faro	S	29	84	Manila	-	-	-	Rome	S	28	82
Athens	S	36	97	Florence	S	28	82	Melbourne	C	13	55	Salzburg	F	22	72
Bahrain	S	36	97	Frankfurt	F	18	64	Mexico City	-	-	-	San Francisco	S	14	57
Bangkok	S	34	93	Funchal	C	26	79	Miami	F	25	77	Seoul	F	22	72
Barcelona	S	26	79	Geneva	S	29	84	Milan	S	28	82	Singapore	F	30	86
Beirut	-	-	-	Gibraltar	F	24	75	Montreal	F	19	66	Stockholm	F	14	57
Belfast	C	15	59	Glasgow	F	14	57	Moscow	C	13	55	Strasbourg	C	19	66
Belgrade	S	33	91	Guernsey	F	16	61	Munich	F	22	72	Sydney	S	18	64
Berlin	F	18	64	Helsinki	R	12	54	Nairobi	F	27	81	Taipei	-	-	-
Biarritz	S	28	82	H. Kong	C	30	86	Naples	S	30	86	Tangier	S	34	93
Bombay	F	30	86	Innsbruck	S	24	75	Nassau	-	-	-	Tel Aviv	S	32	90
Bordeaux	S	26	79	Inverness	F	15	59	New Delhi	S	35	95	Tenerife	S	28	82
Brussels	F	17	63	Islamabad	-	-	-	New York	S	18	64	Tokyo	C	18	64
Budapest	S	27	81	Istanbul	S	26	79	Nice	S	26	79	Toronto	C	15	59
B. Aires	R	18	64	Jakarta	-	-	-	Nicosia	-	-	-	Tunis	S	30	86
Cairo	S	33	91	Jersey	F	18	64	Oporto	S	25	77	Valencia	S	32	90
Cape Town	R	15	59	Jo'burg	S	26	79	Oslo	S	17	63	Venice	C	25	77
Caracas	C	29	84	Lima	-	-	-	Paris	F	19	66	Vienna	F	23	73
Casablanca	S	27	81	Lisbon	S	29	84	Peking	F	25	77	Warsaw	F	18	64
Chicago	R	24	75	London	F	18	64	Prague	S	19	66	Washington	S	23	[illegible]
Cologne	C	17	63	Los Angeles	S	16	61	Reykjavik	C	4	39	Zurich	-	-	-
Copenhagen	F	15	59	Luxembourg	C	16	61								
Corfu	S	34	93	Madrid	S	32	90								
Dallas	C	23	73	Majorca	S	30	86								
Dublin	R	12	54	Malaga	S	28	82								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Pickens raises Newmont bid

Continued from Page 1

The revised offer expires on October 5.

Newmont last week rejected as inadequate the earlier $95 a share bid.

Clay Harris in London adds: Consolidated Gold Fields, the London-based mining finance house which owns 26 per cent of Newmont, refused yesterday to add to its statement after Ivanhoe's original bid.

Gold Fields said then that it had no wish to seek control of Newmont but warned that it would take any action necessary to protect its interest.

Bundespost deregulation

Continued from Page 1

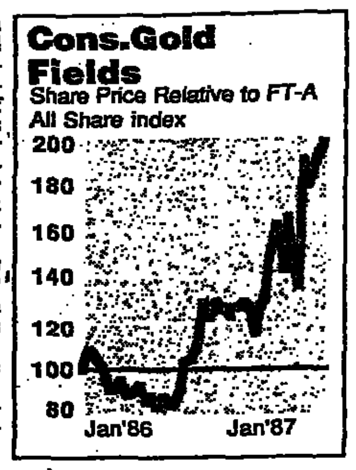
nopoly as long as it leases lines competitively. If not, a competitor could be licensed after three years

- Telekom retains the monopoly on the telephone service (i.e. phone connection) but all other services are opened to competition
- Tariffs will be set by the Minister for Posts and Telecommunications in conjunction with the Economics Ministry.
- Users have the right to connect whatever they wish to the network and the prices of equipment offered by Telekom or private companies will not require official approval. Telekom can sell, rent and maintain (but not produce) telecoms equipment
- The Posts minister would try to simplify the equipment approvals process (which, it is often alleged, is used to keep out foreign competition).

The report also leaves the way open for Telekom to meet certain political goals. Industry is worried that fair competition would be skewered because Telekom would receive subsidies for "social" tasks and that these might work their way through to the prices it charges for more sophisticated, "competitive" services.

THE LEX COLUMN

Rich Pickens for Gold Fields



Yesterday's leap in profits from Consolidated Gold Fields, and its first dividend increase in recent memory, came as a welcome respite after a number of lean years. Hardly had the news hit the wires, though, before Mr T. Boone Pickens spoilt the celebrations by upping his bid for control of the company's most important strategic asset, Newmont Mining.

While over over half of the 120 per cent jump in Gold Fields' pre-tax profits reflects one-time gains on the flotation of shares in Newmont's Australian and US gold mining operations, the group's own gold mining and construction materials businesses are firing on all cylinders. However, the market's enthusiasm for the much improved performance of Gold Fields' core businesses has been replaced by concern over the fate of its 26.2 per cent stake in Newmont, which Mr Pickens and his assorted friends have now decided is worth a generous $105 per share.

Gold Fields' six year old investment in Newmont is now equal to a third of the group's £3.1bn market capitalisation. If it accepted Mr Pickens' offer it could cash in a £800m profit and earn a far more handsome return by investing the proceeds on the money markets. But however lucrative the short-term returns, this is a course which Gold Fields can hardly follow if it really wants to increase its strategic commitment to North America. The company was stressing the conservative nature of its balance sheet ratios yesterday, but it would be pressed to mount a full bid for Newmont without the help of its wealthy South African uncle, Anglo-American. It seems about time for a chat with Mr Pickens.

Bass

Bass's deal with Holiday Corporation yesterday received the same grunts of approval as Ladbroke's Hilton acquisition 10 days ago. It is easy enough to see the strategic merits of diversification into a growth industry such as international luxury hotels - particularly for a British brewer - but Grand Metropolitan's Inter-Continental experience suggests the strategy is not pre-destined for glory.

Unlike Ladbroke, Bass has done its best to limit the risks by welding itself together with the Holiday Inn central management in a joint venture. Holiday Corporation thus makes itself even less vulnerable to takeover and Bass's relative inexperience in this sector of the hotel market becomes less of a worry. However, improving on the rather flat recent performance of Holiday Inn (which is what created the take-over talk in the first place) may require a less two-headed management structure. And although the hotels are said to be less dependent than other chains on the volatile American high-spenders, some of them are in persistently depressed or unstable parts of the world.

The exit multiple in the low 20's is, if anything, slightly steeper than the Ladbroke price, but the shift to a higher proportion of management-contract hotels and the supposed tax-benefits should ensure no dilution. More important, at the cost of little more than one year's cash flow (and gearing doubled at over 30 per cent) Bass is pushing its non-beer earnings up to 25 per cent.

Fisons

Yesterday's slightly disappointing interims from Fisons knocked 6 per cent off the share price, but they were in a broader context irrelevant. The price is these days determined by guesses about the asthma drug Tilade, which has only just reached the market and will make no difference to this year's profits. As a result of the scaling down of these guesses, the shares have underperformed over the past year to a level where they must be close to finding popularity again.

For there to be a real turning point, though, it has to be argued that the market's obsession with wonder drugs has made it overlook Fisons' prospects for organic growth elsewhere. There is a comparison to be drawn with Smith & Nephew, whose remarkably steady growth in medical products has been essentially organic, and whose prospective p/e of just over 20 is identical to Fisons'. But the Fisons medical equipment business has nothing like the track record of Smith & Nephew, being the product of recent acquisition, and indeed still needs some knocking into shape.

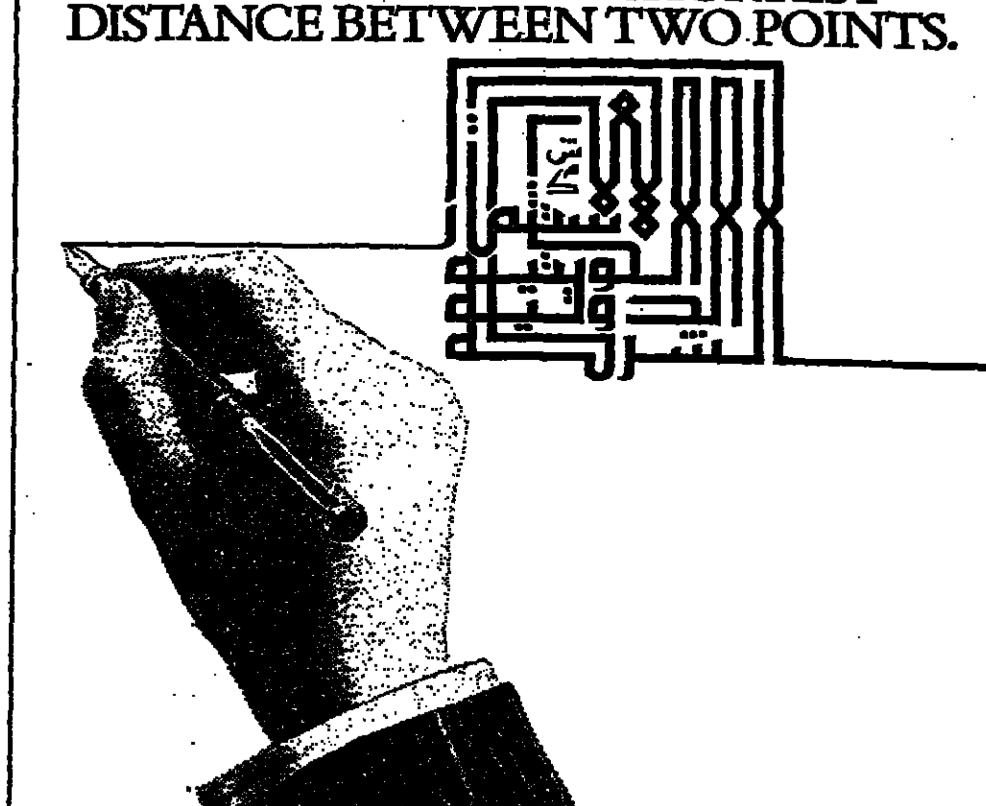
On the other hand, Tilade should be taking up the running in the next two or three years as the older asthma drug Intal starts to fade, so the growth implied by the rating may well be sustainable into the 1990s. But being a research-based drug company in a narrow therapeutic area is a risky business, and the price has to discount that as well.

Next

Where others of the retailing fraternity have stumbled, Next has barely put a foot wrong in coming up with new trading formulae. Next Interiors might be the exception, though that is getting by. The division of Next's female customers into two segments - Collection and Too - appears to have increased and not split the market and a third division - Originals - is planned. The other sex is now dividing into Men and Gentlemen, the latter older and richer, perhaps to be followed by Hooligans when the youth market is attacked. So there is every chance that Next BG (for children), Next Direct (mail order), Next overseas and the rest will work too. And the idea of selling unit trusts to the millions of names on the Next computer suggests few bounds to the corporate imagination.

Shareholders have not been quite so fortunate, seeing the share price held back relative to the market by the two big acquisitions, Grattan and Combined English. Yet even they cannot grumble about yesterday's results showing a 37 per cent earnings per share rise in the six months to July. While other stores' sales are patchy, Next seems not to have noticed the weather. Investors certainly desire a period of less excitement, which Next recognises in its declaration of no interest in Storehouse. With that promise a prospective multiple of 18 is hardly excessive.

IN INTERNATIONAL INVESTMENT, THIS IS OFTEN THE SHORTEST DISTANCE BETWEEN TWO POINTS.



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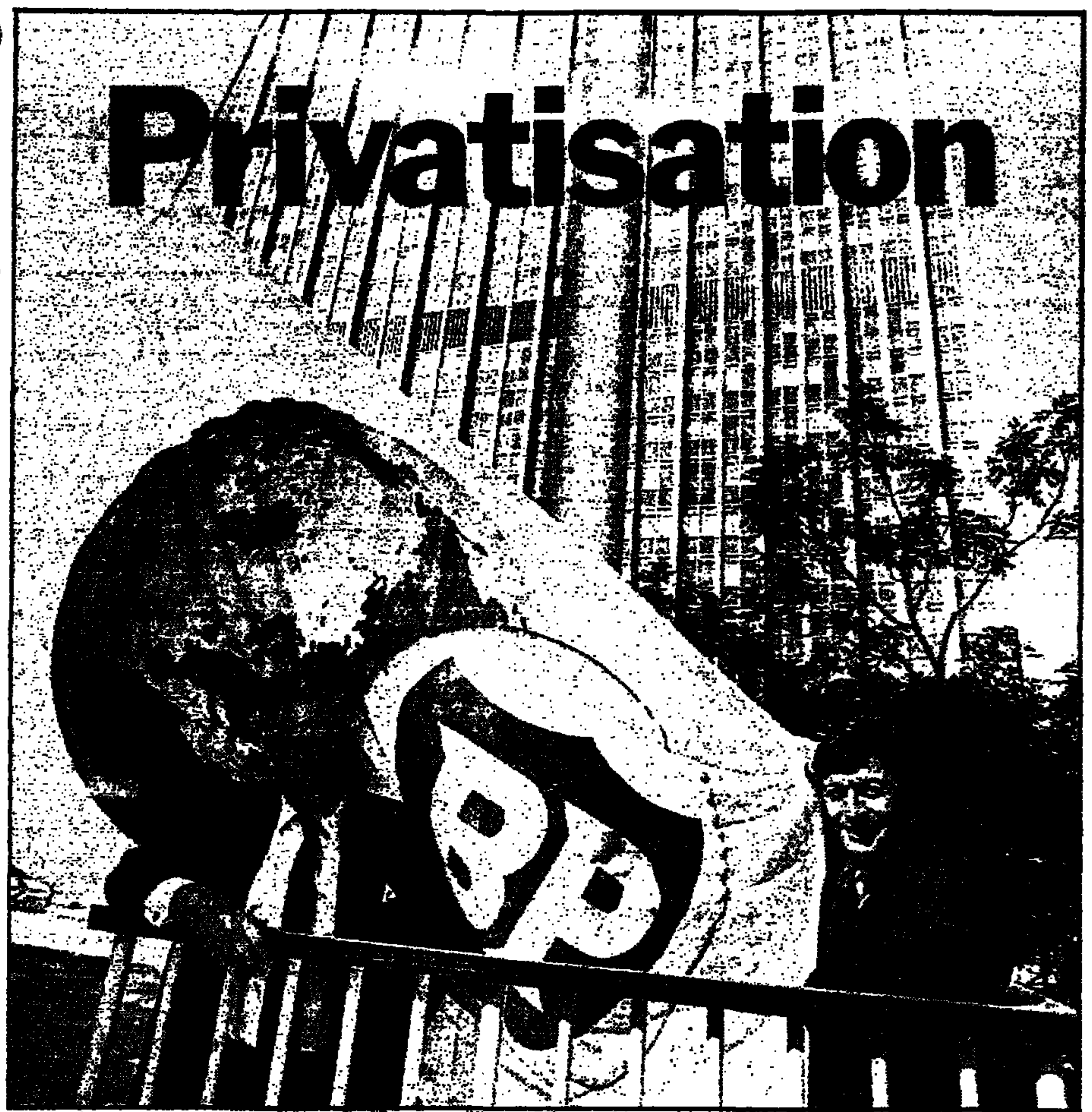
SECTION III

FINANCIAL TIMES SURVEY

Privatisation


The next flotation: a flag was raised outside BP's London headquarters last month to herald the forthcoming sale of the Government's remaining shares. Mr Peter Cazalet, (left) deputy chairman of BP and Mr Tony Alt, a director of N M Rothschild, officiated.

CONTENTS

With so much to commend it in theory, privatisation is being seized upon by governments of all political hues. Yet as it is tested in practice, observes **Guy de Jonquieres**, it is seen not necessarily to be a panacea for the shortcomings of state control.

Trusting the market

RARELY IN history has an innovation in economic and financial policy caught on as quickly in as many different countries as privatisation.

Since the start of the 1980s, its popularity has spread to every continent. The idea has been seized on by countries ranging from the super-affluent to the dirt poor, ruled by governments of both right and left, operating under dictatorships and democracies. It has even found echoes in non-capitalist economies, including the Soviet Union, Eastern Europe and China.

Though the precise definition of privatisation, and the forms which it takes, vary considerably from country to country, the term is now universally taken to signify a reduction of government involvement in the economy and a corresponding increase in the role of the private sector.

As such, it is an important element in a broader shift which is occurring in many parts of the world, as economic policies based on centralised state control and intervention give way to a variety of pressures favouring greater reliance on market forces as the instrument for allocating resources. In parallel, privatisation has been closely linked with, and has helped to promote, the growing deregulation and internationalisation of financial markets.

Privatisation is most commonly used to describe the total or partial transfer of state assets to private ownership—the sense in which it is used in most of this survey. In addition, it can denote the contracting-out to private suppliers of the provision of goods and services previously furnished by public authorities. In certain cases, the two can be combined in the same operation.

According to estimates published in June by Salomon Brothers, a leading Wall Street investment bank, at least 55 state-owned entities have been shifted into the private sector worldwide since 1980, raising proceeds totalling about $48bn.

Moreover, the movement still seems just to be getting into its stride. Salomon Brothers says a further 2,000 entities have been earmarked for sale by 1990. It expects privatisation deals over the next three years to lead to the issue of equity worth about $130bn. That would be more than twice the total value of equity issued in the US last year.

But whether privatisation continues to gain momentum at this kind of rate depends on a number of factors. In the short- to medium-term, these include the state of the world economy, the appetite of investors for what is on offer and the absorptive capacity of financial markets, the strength of which in the past few years has played an important role in accelerating the nonward march of privatisation.

Beyond these imponderables lies a larger question. Some governments, particularly the UK, have staked a great deal of political capital on privatisation, proclaiming its advantages in sweeping and outspoken terms. While a fair number of these claims appears to have been fulfilled so far, it has still to be proven that they can be sustained over the longer run.

Furthermore, in a certain number of cases the benefits which privatisation was supposed to produce are starting to look decidedly questionable.

In democratic societies, at any rate, any serious failure by privatisation to deliver the positive economic results which the great mass of people have been encouraged to expect from it could lead rapidly to disenchantment and erosion of public support. That reaction could be compounded if many small investors who have been persuaded to buy shares in privatised companies suffered losses as a result of a steep decline in equity markets.

All these points suggest that privatisation is not a politically risk-free option, and that it ma be some while longer before conclusive judgments can be made on whether or not it has lived up to the sometimes far-reaching expectations set for it.

The philosophical origins of the privatisation movement are obscure, or at any rate debateable. However, few would dispute that the Thatcher government in Britain was its earliest and most enthusiastic exponent and has taken it furthest in practice. In the past eight years, 16 major publicly owned UK companies, employing 650,000 pople and accounting for 40 per cent of the state sector, have been wholly or partially privatised, raising total proceeds of £17.5bn.

Though the British government now counts privatisation as one of its proudest achievements and akey element in its overall economic and social strategy, the policy developed almost as the result of a series of accidents. Indeed,at the outset, it could hardly be called a policy at all. When the government was first elected in 1979, it was little more than a gut reaction, born out of impatience with the shortcomings of the nationalisedindustris and the inability—or lack of incentive—to find an effective system for managing them.

However, as th programme got under way and met with an unexpectedly enthusiastic reception from investors, the government discovered with successive sales that privatisation harboured ever more beguiling charms. It was, or so it seemed, a policy with almost everything going for it. Suddenly, as if by a process of alchemy, the dull metal of Britain's unloved public sector was being transformed into pure gold.

Rapturously, ministers counted out the gains:

- **Better management:** By disentangling nationalised industries from the cumbersome controls and financial constraints imposed by Whitehall, decision-making could be placed squarely in the hands of their managements. With independence came opportunities for quicker decision-making and the freedom to streamline poorly-performing activities, expand successful ones and diversify into new lines of business.
- **Increased efficiency:** By making companies directly accountable to private investors, instead of to arbitrary and changeable criteria set by government officials—often to meet broader *macro-economic policy* objectives—they would, it was assumed, become both more efficient and more responsive to customer needs.
- **Extra Government revenues:** The proceeds from privatisation have met a steadily rising share of the UK Treasury's needs and have helped to finance tax cuts (though in some other countries, such as France, they have been used to retire debt). Last year, they exceeded for the first time the amount raised through public borrowing.
- ***Wider share ownership:*** Popular capitalism, a cherished tenet of Thatcherism, has been promoted energetically by means of large-scale publicity campaigns and a variety of special arrangements which have encouraged millions of individual investors, many of them first-time shareholders, to subscribe to privatisation issues.
- **Employee involvement:** Employees of many privatised companies have been encouraged to become shareholders in them by means of preferential equity offerings.
- **Winning votes:** Wider share ownership and the sale of public housing to occupants not only served to cement broad popular support for privatisation but were also calculated to *create hostility towards any* policy proposals by the Labour Party to re-nationalise these assets. Labour's wilting enthusiasm for large-scale nationalisation reflects its acknowledgement that such policies have become an electoral albatross.

As privatisation has spread to other countries, its perceived attractions have multiplied further. The conservative French Government under Mr Jacques Chirac has seized on it as an instrument both to reverse the socialist policies pursued during the first five years of the Mitterrand administration and to root out the much more deeply-entrenched Colbertiste tradition of dirigisme and official intervention in industry.

In European countries such as Austria, Italy and Spain, it offers state industrial holding companies a means of rationalising their portfolios and applying firmer financial disciplines to chronic loss-makers.

For Italy's IRI holding company, partial privatisation is also a way of discouraging politicians from meddling in state enterprises by interposing a layer of private and institutional shareholders.

Many developing countries, hard-pressed by budgetary problems, mounting international debt burdens and foreign exchange shortages, are increasingly interested in privatisation as a means of attracting fresh sources of capital for investment in infrastructure projects.

Finally, many governments also aspire to privatisation both as a mark of prestige, conferring on their countries a seal of political and economic stability,

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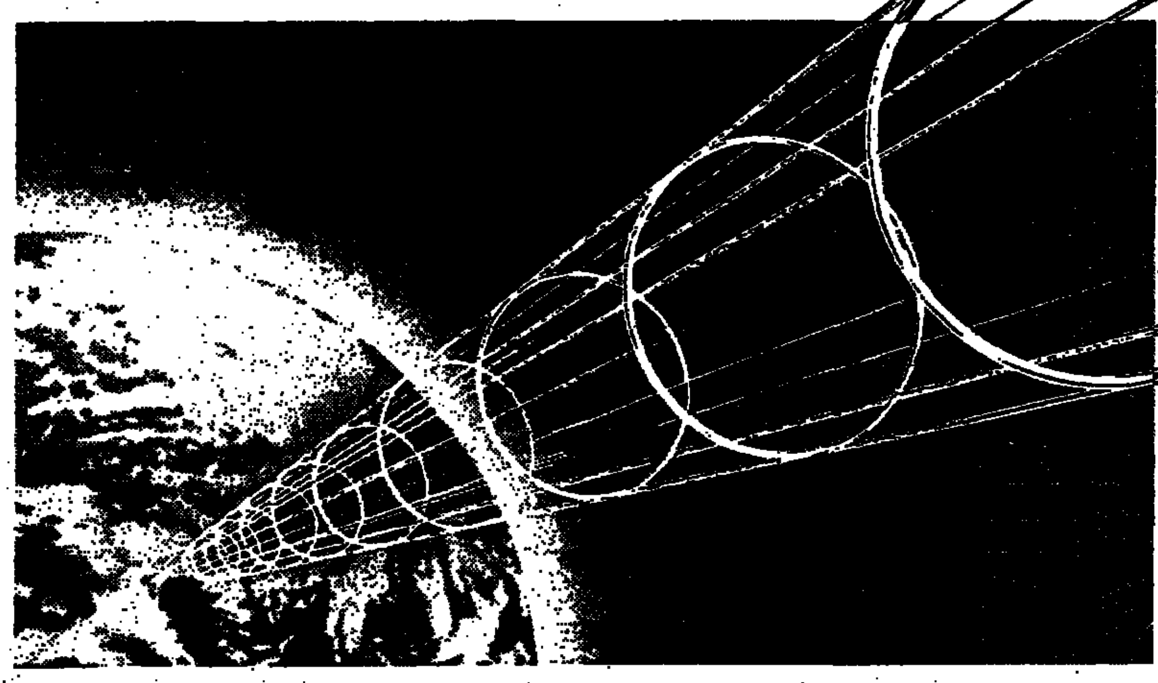
Global Connections



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Competition still the issue

OF ALL the claims staked by the British Government for the benefits of privatisation, probably none has been made with greater fervour and insistence than the argument that it produces substantial improvements in the performance of companies which had previously been shackled by the suffocating constraints of public ownership.

Privatisation, in the words of one minister, amounts to "letting caged birds fly." The principal results are held to be much greater management independence to pursue commercial objectives, leading to better satisfied customers, employees and, of course, private shareholders. The overall economy stands to benefit from the companies' increased productivity, profitability and growth.

How far have these claims been borne out in practice? Of the 16 major companies privatised to date, the great majority has turned in an impressively strong profits performance since being transferred to private ownership.

A number of them has also displayed new-found determination to tackle previously deep-seated problems and to pursue a wider range of commercial opportunities.

Cable and Wireless, for instance, long a rather sleepy supplier of monopoly telecommunications services to former outposts of the British empire, has expanded energetically in the US, Asia and, through its Mercury communications subsidiary, in the UK. Its ambitious medium-term aim is to construct a global digital network linking many of the world's most important financial and business sectors.

Jaguar, the luxury carmaker, has staged a remarkable recovery after years of drift and decline while part of the BL (now Rover), the state-owned vehicle group.

On the face of it, these examples provide persuasive evidence to support the Government's claims. However, it would be an over-simplification to suggest that the sale of nationalised industries has acted as some kind of magic wand which, at a stroke, has transformed mediocre companies into brilliant performers.

The cause-and-effect mechanism is more subtle and, in some cases, difficult to demonstrate conclusively. As the Amex Bank Review put it late last year: "While there is a widespread feeling that privately owned companies are more efficient than government enterprises, it is harder to prove than might be expected."

These qualifications are given particular force by the growing controversy over the behaviour of two large privatised utilities, British Telecom and British Gas. The recent chorus of customer complaints about BT's quality of service suggests that the government's confidence in the beneficial impact of privatisation on corporate efficiency is not, to say the least, universally shared.

The basic flaw, according to the government's critics—who include some Conservative members of parliament—is that inadequate measures have been taken to curb the two organisations' monopolies.

More generally, judgments about the impact of privatisation on company performance call for three further observations. First, it needs to be set against the wider economic and financial background. Britain is now in its sixth year of economic growth, inflation is still being held within manageable limits and industrial unrest has been running at low levels. Furthermore, the equity market has enjoyed its biggest bull run since the Second World War.

It would have been surprising if newly-privatised companies had not benefited as much as the rest of industry from these favourable influences.

Secondly, many industries still in the state sector have also turned in a much improved performance. According to the Institute of Fiscal Studies, their productivity grew faster between 1978 and 1985 than at any time since 1950 and, in most cases, surpassed that of manufacturing industry.

In the past year, British Steel has bounced back into profit, while the Rover group has succeeded in reducing its losses sharply.

Third, new ownership has not been invariably associated with a decisive turnaround in companies' performance. Though none has fared really poorly, NFC is probably the only one whose recovery can be said to have stemmed directly from privatisation.

Its chief executive, almost everything Amersham has done since it was privatised, it would have done anyway.

For many managers of nationalised industries, public ownership has meant having their judgments second-guessed repeatedly by civil servants and being forced to refer decisions back through a cumbersome bureaucratic chain of command.

At worst, it has involved deliberate government intervention and manipulation in pursuit of broader goals such as macroeconomic policy which, while worthy in themselves, were irrelevant—or even directly contrary—to the commercial interests of the organisations in question.

In a few instances, heads of nationalised industries have been strong-willed enough to stand up to such pressures, or their organisations have been effectively insulated from them by particular statutory arrangements. Too often, however, the UK system has led to lack of clear direction, erratic investment patterns and loss of motivation by managers and employees alike.

Experience so far suggests that the events leading up to privatisation can be as important in setting companies on a new course as is the exposure to private investors which follows it. The prospect of a forthcoming stock market flotation has frequently provided a salutary incentive to many nationalised industries to put their house in order.

Indeed, the Organisation for Economic Co-operation and Development suggests in its latest report on the UK economy that the recent improvement in the overall efficiency and profitability of the nationalised sector was due in part to active preparation for privatisation.

Not the least important factor in this process has been its effect on government attitudes. Many privatisation candidates have found that the negative stance which they had long associated with Whitehall has suddenly been replaced by positive official pressure to start behaving more commercially.

A further gain has been the ability to attract capable and seasoned senior managers from outside. It is doubtful whether, for example, either Lord King or Sir Eric Sharp would have agreed respectively to serve as chairmen of British Airways and Cable and Wireless if they had not been offered the prospect of privatisation and given explicit instructions by the government to prepare for it.

Whether many, or all, of these advantages could have been obtained if the government had devoted more effort to refining its system of managing the public sector is a moot question. It is also probably irrelevant in many cases. Given an efficient capital market, there seems to be little reason other than ideological bias for keeping in public ownership companies operating in competitive markets which are able to fend for themselves.

The issue becomes much more pertinent, however, in relation to industries which have traditionally been regarded as natural monopolies. In the case of BT and British Gas, in particular, the government has been accused of being much too eager to absolve itself of the responsibilities of public ownership without making effective dispositions for these companies' smooth transition to the private sector.

Well before privatisation, numerous suggestions were made from within and outside Whitehall that the two companies' market power should be curbed.

Says one nationalised industry manager who broadly approves of privatisation: "The Government really doesn't understand capitalism. It believes that the private sector is all about maximising competition, when in reality it's about eliminating competition."

In any event, much of the onus for stimulating efficiency and preventing abuse of monopoly powers by the large utilities has fallen on the regulatory authorities set up when they were sold.

A measure of the challenge facing the regulators is Ofgas' recent legal action against British Gas over its alleged refusal to supply adequate information about its pricing policies.

Public dissatisfaction with the performance of BT and British Gas since privatisation has not been lost on the Government, which is now considering in what form to privatise the electricity industry. A number of proposals are circulating which would involve breaking it up and injecting more competition into it, though whether the tight timetable set by the Government will enable these to be acted on remains to be seen.

A further test of government policy has been posed by the recent proposed merger between British Airways, which was privatised last year, and British Caledonian.

Guy de Jonquieres, International Business Editor.

Share price performance of government issues

Company	Issue date	Issue price*	First day close	Premium	Paid up now†	Price now†	Premium now†
British Telecom	3.12.84	50p	93p	+86%	130p	271p	+108%
TSB‡	10.10.86	50p	85½p	+71%	50p	132p	+164%
British Gas	8.12.86	50p	62½p	+25%	95p	173p	+82%
British Airways	11.2.87	65p	109p	+68%	125p	197p	+58%
Rolls Royce	20.5.87	85p	147p	+73%	85p	112½p	+32%
BAA	28.7.87	100p	146p	+46%	100p	133p	+33%

*All issue prices partly paid
†At 1.9.87
‡Not technically a privatisation

Politics

Key part of Thatcherism

PRIVATISATION HAS emerged as one of the key features of the Thatcher Government's attempt to transform the political and social landscape of Britain.

By both transferring roughly two-fifths of state-owned industry to the private sector since 1979 and being the main reason for a nearly trebling in the number of individual shareholders, the programme has far-reaching implications.

It has affected, and changed, the attitudes not only of ministers and managers in the industries affected but also of trade unionists, consumers and investors - all of whom are, of course, voters. As Mr Norman Tebbit, the Conservative Party chairman, has frequently pointed out, there will soon be as many private shareholders as trade union members, and they will often be the same people.

The current scale of the programme, producing receipts of £5bn or more a year, was not planned before the Conservatives came into office in 1979. Indeed, some of the present apparent contradictions of the programme reflect the haphazard way it developed in response to events and opportunities.

Before 1979 there had been some discussion of attitudes to nationalisation in a working group chaired by Mr Nicholas Ridley. This mainly considered ways of realeasing these industries from the restraints of ministerial approval for capital investment. Mr Ridley's proposals for denationalisation, as it was then called, principally covered those industries which had competitors rather than public utilities with a near monopoly position. The general view then was that there was no advantage in transferring a public monopoly to the private sector.

The first disposals were also seen primarily as a means of holding down the key financial indicator of the public sector borrowing requirement since disposals count as negative public spending. This has remained a prime influence in the Treasury's eyes and the programme was increased to £5bn a year in 1986, partially to offset the impact of declining North Sea oil revenues.

British Telecom marked the turning point, both because of its scale and its position as a public utility. The scale of the sale, over £4bn, was five to six times larger than any previous equity offering which forced the Government and its banking advisers to go beyond the traditional market of institutional investors. In a recent speech, conference, Mr Moore, who as Financial Secretary to the Treasury developed the privatisation policy and became its main propogandist, has noted that necessity came to the aid of believers in wider share ownership. He records that there was considerable scepticism, notably among City advisers, about his desire to help small shareholders, both through the bonus of extra shares for those staying in for three years, and in decisions on the allocation of shares.

Both this approach, and the extensive marketing on television and the press which underpinned it, have been followed in the subsequent offerings of British Gas, British Airways, British Airports Authority and in the latest sale of the remainder of the Government's shareholding in BP. Coupled with the incentives to employee shareholding the result has been a fifth of all adults are now holders of shares.

The British Telecom flotation was also significant since it was the first major public utility to be sold. There was a considerable debate at the time, in the 1982-84 period, and subsequently in relation to the gas, electricity and water industries, about how to treat these "natural monopolies" where economies of scale and barriers to entry are such as to make it artificial or impracticable to break them up.

The Government opted for the route of regulation, as in the US, and the Office of Telecommunications was established to oversee the pricing and competitive practices of British Telecom. As Mr Gerry Grimstone, the Treasury official responsible for privatisation from 1982 to 1986 and now a merchant banker, noted in the spring 1987 issue of Contemporary Record," the British Telecom privatisation not only showed that mega-sales could be successful, it also demonstrated that regulatory arrangements could be devised which were robust enough to allow monopolies to be privatised."

The ministerial enthusiasm for wider share ownership and acceptance of the sale of public utilities was matched by the completion of a comprehensive five-year strategy. The result was that every aspect of state-owned industries came under review.

Nevertheless, even though the programme faced only token opposition from the affected trade unions, it remained controversial politically. There remained criticism, as much from within as outside the Conservative Party, that the Government placed the aim of maximising sale proceeds above that of increasing competition and helping the consumer by breaking-up a monopoly.

And, curiously after, rather than before, the 1987 general election, an intense public row developed over the standard of service offered by the privatised British Telecom. This has created considerable sensitivity over the forthcoming sales of the electricity and water industries.

Yet, there is no doubt that privatisation has transformed, and will continue to transform, the political landscape. The frontiers between the public and private sectors have been fundamentally shifted. In the 1987 election the Labour Party manifesto proposed an arms-length form of "social ownership" by the Government of British Telecom and British Gas and the taking strategic stakes in companies like British Aerospace.

Following its third successive election defeat, these commitments will now be reviewed and Labour leaders have already talked about having to take account of the new large group of private shareholders. Renationalisation is slipping down the agenda. The SDP/Liberal Alliance, as it then was, concentrated on encouraging more competition in existing privatised utilities.

As privatisation is extended there are likely to be more and more private shareholders. The Tories hope that this group will identify with them as the providers of the opportunity for a wide range of people to take a stake in industry.

Opinion poll evidence suggests that a majority of those who have bought shares in privatised companies vote Tory but this does not indicate what the causal link is, since people who vote Tory are probably more likely to buy such shares. But the extension of privatisation increases the potential pool of support which Conservative Central Office exploited before the last election in conducting a large-scale direct mail campaign warning of the impact of Labour's plans.

The programme could face greater problems in future. The recent row over British Telecom services means that the public, and MPs, will want more reassurance about electricity and water. Moreover, the main sales so far have been conducted in a bull market and nobody has lost out significantly. It remains to be seen how the new share owners will react to a bear market if the value of their shares falls substantially.

Yet privatisation, now unrecognisable in scale from its early origins, is now an well-entrenched part of the "Thatcher Revolution."

Peter Riddell

Electricity

A test of principles

NEITHER HISTORICAL precedent, nor comparisons with overseas suggest that there is any fundamental reason why Britain's electricity industry should be nationalised rather than privately owned; yet transferring it from one sector to another is proving peculiarly difficult even for a Government dedicated to the cause of privatisation.

Mr Peter Walker, when he was Energy Secretary in the last Parliament, shelved the project soon after looking at the options drawn up by his department.

In one sense, it is perhaps surprising that the idea of returning electricity to the private sector should be considered controversial or difficult. Most of the electric power in the US has always been generated by utilities owned by private investors, as too is the case in a number of other countries from Spain and Sweden to West Germany and Japan.

In the US the structure remains similar to that in the UK before nationalisation, while in France integration has proceeded to the furthest extreme with one nationalised body (Electricite de France) responsible for all aspects of the industry from generation to sales.

The major common factor among all these differently organised systems is a general recognition that there are large elements of monopoly in electricity, and that for a range of functions, co-operation is more sensible than competition. Most people agree, for example, that customers need to be protected by regulations against private electricity undertakings.

There is also general agreement that the major transmission lines are a natural monopoly, and need to be subject to government control or regulation. In the US, the transmission of power between states is governed by complex regulations, supervised by the Federal Energy Regulatory Commission. However, in all countries there is a presumption that the grid should be used to a large extent for co-operative purposes even where a type of spot market has developed, as in Sweden.

This is because the main priority for most electricity companies has traditionally been security of supply, and high voltage transmission networks were therefore built mainly for mutual assistance.

In the US and in Britain, transmission links were seen as an additional security which enabled utilities to bring power into a particular locality at times of peak demand or export power at times of surplus. In Britain, however, the transmission grid has developed two further purposes: to transmit energy from power stations near coalfields in the North and Midlands to areas of growing demand in the South, and to allow the CEGB to maximise the efficiency of the nation's power stations by planning operations and maintenance on an integrated basis.

The transmission system will limit scope for free competition in electricity for two reasons: first the number of power lines is limited in the US and the UK by the difficulty of obtaining planning permission to build new ones. Secondly, electricity lines cannot be used to route power precisely as can be done with gas pipelines.

It is much more likely, therefore, that the privatised model for Britain would be one in which the National Grid, perhaps operated by a private company, retained overall operational and strategic control but was charged with encouraging competition at the edges.

The way in which this should be done will be the subject of intense discussions between senior Cabinet ministers this autumn. The practical options, broadly, are to leave the grid under operational control of a privatised CEGB but perhaps under joint ownership by the board and the distribution companies, or to shift to regional or area distribution companies the responsibility for maintaining supply to their customers at the cheapest possible price.

A more radical option - to break up the Central Electricity Generating Board into perhaps four competing power companies - is unlikely to be possible unless the Cabinet is prepared to sacrifice its present aim of completing the privatisation in the present Parliament.

The Cabinet therefore has to make two separate judgments: first, whether the gains from a more competitive system outweigh the advantages of keeping a more integrated system similar to that now operating. The gains would probably come from tighter project management and better capital allocation, but the cost of capital in a private system is likely to be higher and there could be some loss of operating efficiency. The second judgment is whether it wants to accept the delays necessary in preparing a radical break-up of the industry.

At the back of their minds, ministers will have three other major questions: whether a private industry would continue with the Government's plan to build a new generation of nuclear power stations; whether any radical break-up would stir up the wrath of power station unions with the attendant risk of black-outs; and whether they believe in competition strongly enough to allow the import of cheap coal and foreign power station equipment.

This last is perhaps the greatest test of the Government's will, for if it is seen to favour a privatisation scheme which excludes competition and bans trade, its free market principles will be widely regarded as a sham.

Max Wilkinson

Economics

Revenue versus efficiency

"THE EFFECT of privatisation on the Government's finances is incidental to the programme's main purposes, which are to increase efficiency and to widen share ownership to the benefit of the whole economy."

Like many official statements, that brief summary by Britain's Treasury of the economic philosophy underlying its privatisation programme encapsulates an element of truth and a lot of wishful thinking.

The theory behind what has emerged as the largest state sell-off in the industrialised world is clear enough, but it is frequently tainted by political realities.

Privatisation has been at the heart of the Conservative Government's drive since 1979 to creat an "enterprise culture" in Britain. In that context it fits into the framework of a series of policies ranging from progressive deregulation of labour markets to the sale of council houses.

But state asset sales have also provided an essential financial windfall, allowing the vote-winning combination of cuts in taxes and progressive reductions in public borrowing which marked the Conservatives' first eight years in office.

The economic arguments for privatisation are well-rehearsed. After several decades in which governments steadily increased the size of their public sectors came a realisation in the late 1970s that the cost of intervention was frequently inefficiency and stagnation.

In Britain the record of public corporations based on such criteria as return on capital, costs and prices, productivity investment and consumer satisfaction was at best mixed.

Even in the case of "natural monopolies" such as state utilities, pressure from shareholders and free access to capital markets would act as a spur to productive efficiency. Where necessary, a regulatory framework could provide a substitute for the market in holding down prices and ensuring a reasonable service.

Overall, the shift from state to private sector and the increased competition thus generated should promote improvements in resource allocation and ultimately a better performance for the economy as a whole.

This theoretical basis for the virtues of privatisation is not particularly controversial, though perhaps not as self-evident as some of its proponents suggest. As the Organisation for Economic Co-operation and Development comments: "Empirical evidence, while mixed, tends to support the existence of such gains."

What is less clear is that privatision should be seen as the only answer to inefficiency in the state sector.

The OECD, for example, argues that it is frequently the case that it is government policy rather than its ownership per se which explains a significant part of the weaknesses of state businesses. In those cases withdrawal of direct and indirect subsidies and an end to state interference in the setting of commercial objectives can achieve results similar to privatisation.

Privatisation obviously gives a clear signal of official policy but in practice at least there is then a potential conflict between furthering competition and maximising the proceeds from asset sales.

The tension operates on two levels: securing the best possible price for a monopoly state enterprise militates both against breaking up that company to promote competition and against providing a sufficiently tough regulatory framework to replace market mechanisms.

Despite the official disavowals, perceived political imperatives - squeezing as many privatisation issues as possible into each parliamentary term and using them as the key vehicle for wider share ownership - have often been put before the goal of enhanced competition.

The Treasury's determination to maximise receipts has diluted official enthusiasm for breaking up large enterprises before privatisation.

It is over the issue of competition that the British Government's programme has drawn most criticism.

The privatised British Telecom has been subjected to a minimum of competition in only one small area of its business by the Government's decision to allow a rival in the shape of Mercury Communications. The shortcomings of the regulatory system have been amply demonstrated by the recent torrent of criticism from consumers over Telecom's pricing and service policies.

Similar problems are already emerging at British Gas, the largest of the privatisation issues to date. Attempts by the Government to provide an element of competition in provision of industrial gas supplies appear already to have foundered.

The real test, however, of the Government's commitment to competition will come with the privatisation in the next three years of the £37bn state electricity industry.

Whitehall insiders are already forecasting that the result will be "fudge."

Philip Stephens

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CURRICULUM VITAE

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Telephone: 01-247 4366
Status: A private and independent company
Date of Birth: 8-5-1820
Education: The City of London Financial Centre
Qualifications: Achieved a First in:
Establishing an international network of typesetting links covering North America, Europe, the Far East and Australasia
File exchange to the USA
Direct data SEC filing
Experience: Financial printer for the following Privatisation issues:
1987 British Airways
1985 Cable and Wireless
1984 Enterprise Oil
1982 National Freight Corporation
Amersham International
Interests: Devising new ways to assist the privatisation programmes, such as utilising international typesetting links to allow simultaneous share offerings throughout the world
Referees: Chairmen and Chief Executives of public companies throughout the world

CLIFTON HOUSE, WORSHIP STREET, LONDON EC2A 2EJ. Telephone: 01-247 4366.

Williams Lea

Professional Services

City coffers enriched

BRITAIN'S priviatisation programme may have enriched the Government's coffers; it has also been a lucrative source of fee income for the dozens of professional advisors involved.

Add up the total disclosed costs of launching the 17 public offers for sale made to date, and the *figure* is close to £485m. That, moreover, does not include the charges on the *first* BP issue, on the third tranche of Cable and Wireless, or the more recent costs of floating Rolls-Royce and BAA. With those added in, the figure would certainly top £500m.

That sum should, of course, be seen against the £18bn-odd that has rolled in from the privatisations - the bulk of it going to the Government and a minority to the companies involved. Accordingly, these companies themselves have borne a small proportion of the total charges - something like £75m.

But from the advisers' point-of-view, the benefits of this dismantling of the Government's industrial interests has not stopped with the much-publicised offers for sale. The various private sell-offs - the Warship Yards, National Bus Company, National Freight, and so on - have all required merchant banks to advise, acountants to audit, lawyers to draft. The value of the businesses sold off here is close on another £550m (excluding National Bus and the various delayed profit-related payments on other sales); a similar 3 per cent expense ratio would add £16m to the advisors' bill.

There can be little argument that in the early days of privatisation, the Government effectively "played safe", placing the business in the hands of the largest and most experienced firms. The trend was perhaps most noticeable on the merchant banking side. The nine pre-Telecom issue were heavily concentrated with three banks - Kleinwort Benson, Schroder Wagg, and N. M. Rothschild - with S. G. Warburg and Lazard Brothers also picking up a share of the work.

By the time British Telecom came along in november 1984, Kleinwort had been involved in five flotations - including the two tranches of Associated British Ports, when it acted on the company's, rather than the Government's, behalf. By comparison, Schroder could boast four privatisation issue (including the two ABP floats), and Rothschild three. Warburg advised the Government on Britoil and the second Cable and Wireless tranche; Lazard, the company on Enterprise Oil.

That pattern, on the financial advisor side, has switched more recently. Although the very large flotations have continued to go to these well-established hands, the latest tendancy has been to share the honours on the smaller issues amongst some of the more aggressive, up-and-coming merchant banks. Hill Samuel got the job on the £900m British Airways issue; Samuel Montagu, the £1.4bn Rolls-Royce float; and County NatWest, the £1.2bn BAA sale. That said, in the case of the giant Telecom and Gas isses, the Government used the well-trodden path, placing its business with Kleinwort and Rothschild respectively. The one name which might be expected to feature on size ground is Morgan Grenfell, so prominent in the takeover field; it has, in fact, acted in only one public offer - Amersham International - when it advised the company.

On the stockbroking front, the pattern has, if anything been even more conventional. By far the largest weight of business has gone to Cazenove, the blue-blooded firm renowned for its *placing power; indeed, aside* from Rolls-Royce, there has not been a single issue to which it has not been the brokers.

Apart from Caz, Hoare Govett and, to a slightly lesser extent, Warburg Securities have also featured with a fair degree of prominence - each acting in well over half a dozen issues. *Thereafter, the picking* have been relatively modest: BZW claims Enterprise and Telecom; County NatWest, on the back of the banking arm, BAA; Greenwell, BAe, Britoil and ABP; James Capel, with its strong Far East links, C&W, Gas and Rolls-Royce; Kitcat, ABP; Alexanders Laing & Cruickshank, Jaguar; Phillips & Drew, British Airways; Scrimgeours, Telecom; and Wood Mackenzie, Britoil, Gas and Airways.

Inevitably, the dominance of big names on the accountancy and legal sides has been even stronger. The five large accountancy firms - Coopers & Lybrand, Deloitte Haskins & Sells, Ernst & Whinney, KPMG Peat Marwick McLintock, and Price Waterhouse have shared the issue in fairly equal proportions, with Touche Ross a new entry iwth the BAA float. On the legal front, three names have featured throughout - Freshfields, Linklaters & Paines, and Slaughter and May - although the likes of Herbert Smith, Speechly Bircham and Coward Chance have also enjoyed a look-in,

But if there has been a discernable shift since British Gas *to spread the business* more widely, it is probably little coincidence that it has accompanied a general squeeze on privatisation fees. Given the political sensitivities, the sight of a government shelling out sizeable sums to the City and advisers without full justification, attracts considerable mileage. It is worth noting that while the costs of the British Telecom issue represented almost five per cent of the proceeds, by the time British Airways came round last February, the proportion was little more than three per cent.

One of the most obvious areas of pruning has been on the underwriting fees. Back in the days of Telecom, the 15-odd underwriting banks enjoyed a commission of 0.375 per cent. As a result of British Gas's competitive underwriting bids last December, this was reduced to 0.175 per cent; on British Airways, it came down to 0.111 per cent; with BAA, 0.05311 per cent. Had British Gas been done on the Telecom rate, the underwriting banks involved would have been some £8m better off.

What has yet to give are the effective sub-underwriting fees, where the commission rate paid to institutions on all but their firm placing shares (the ones they are guaranteed to receive). remains at 1.25 per cent. Ironically, the only issue to have broken away from this pattern has been the Trustee Savings Bank - which halved the overall underwriting rate, and gave the sub-underwriters just 0.75 per cent.

But if, as some advisors claim, privatisation jobs are now more a question of prestige than financial reward, there are certainly sizable spin-off benefits. Privatisation is, after all, something of a growing world trend and most UK firms can claim to have been courted for their expertise by overseas companies or governments. N. M. Rothschild, *for example, boasts* contributory advice on schemes ranging from the current pulp and paper privatisation in Turkey, to France's Paribas float - compensation, indeed, for a squeeze on underwriting fees.

Nikki Tait

Private investors

Public eye for a bargain

THE NATIONAL Audit Office, Parliament's watchdog on public spending, indulged itself in a nice piece of understatement when it reported on the Government's £900m offer for sale of shares in British Airways.

"It is arguable whether the initial premium of 68 per cent *on the partly-paid share price* and 35 per cent on the fully-paid price constitutes a satisfactory premium," it remarked, pointing out that this represented a difference of over £300m between the company's market value and the price actually obtained by the Government.

To small investors who took part in the issue, however, there was no argument at all: the premium was very satisfactory indeed. But then, it was no more or less than they had come to expect from privatisation issues, most of which of which have delivered highly attractive rewards to participants.

There are several reasons why privatisation issues tend to go to big premiums. One is that London stock market conditions have been highly favourable, at least for the recent flotations. Another is that the premium as a percentage of initial outlay has been greatly enhanced by the Government's habit of issuing the stock in partly-paid form.

But it is also true that the Government has erred on the side of caution in pricing recent issues, partly to ensure a warm response for other privatisation issues yet to come, and partly to fulfil its goal of widening share ownership.

In its efforts to create a share-owning democracy, the Government appears to have remarkably successful. According to surveys conducted by Dewe Rogerson, the public relations consultancy which has advised the Government on several privatisation issues, share ownership in Britain has risen from about 2m people (or 5 per cent of the adult population) to 9.4m *(23 per cent) since 1983.*

Yet many question the solidity of this apparent change in attitudes. To what extent, they ask, is it simply a feature of the public's eye for a bargain? And will it last once the stream of privatisations has run its course?

The privatisation issue which *started the wider share ownership* bandwagon rolling was the £3.9m British Telecom flotation in 1984. Arguably, it was not so much ideological commitment that led the Government to market the issue so widely as a fear that the institutions alone would be unable to absorb such an unprecedented amount of stock.

Whatever the reason, public enthusiasm was stimulated by talk of big profits to be made, and 2.3m people took part in the issue. They were richly rewarded, too, at least initially: the 50p partly-paid shares closed at an 86 per cent premium on the first day of dealings. The shares have not performed particularly well against the wider market *since, but on a fully-paid basis* they are still over double their 130p issue price.

That issue was to set the tone for future privatisations. Shares in TSB, which started out as a privatisation but ceased to be one when the courts ruled that the Government did not own it, ended their first day at a 71 per *cent premium. As the table* shows, all the other privatisation issues since British Telecom have also produced large initial returns.

As each issue has gone by, the notion that privatisation stocks are easy money has become more firmly entrenched. The issues are becoming more heavily oversubscribed: in the most recent case, the fixed price offer of shares in BAA (formerly the British Airports Authority) was so heavily subscribed that applicants had to be rationed to 100 shares each.

However, many of these investors have shown themselves to be much more interested in quick profits than in changing their fundamental attitudes to*wards share ownership, as the* privatised companies' dwindling share registers show.

British Telecom, the earliest of the wider share ownership issues, seems to have one of the most loyal troops of small shareholders, but even here their numbers had fallen from 2.3m to 1.4m by last March, leaving them with some 23 per cent of the company's shares. British Gas, which started with 4.5m small shareholders last December, had only 2.8m holding about 28 per cent of the shares by spring this year.

British Airways, floated in February, lost two-thirds of its shareholders in its first three months: the number of small shareholders had slumped from 1.2m to 420,000 by May, leaving them with just 14 per cent of the shares. Figures for Rolls-Royce and BAA are not yet available, but judging by the volume of early trading in the issues, they will tell a similar story.

Yet Dewe Rogerson's research throws up further evidence of the fragility of share ownership. According to its figures, some 56 per cent of Britain's 9.4m shareholders hold shares in only one company; another 22 per cent hold shares in only two; and another 9 per cent hold shares in only three.

That leaves barely 100,000 people in Britain holding shares in more than three companies - and this in spite of the growth of employee share ownership and the Government's personal equity plans, introduced in the Budget before last to encourage private share ownership.

If this is the best that can be achieved against a background of a roaring bull market and a series of giveaway privatisation issues, the critics argue, it does not hold out much hope for the growth of people's capitalism.

Richard Tomkins

John Edmonds of the GMBU gives a union view

"Consumer is the loser"

SINCE 1979, privatisation has travelled from the far reaches of the UK Conservative Party's right wing fringe to the centre *stage of the present* Government's 1987 election manifesto and subsequent legislative programme.

In turn,the once commonplace, defensive trade union reaction of concentrating solely on jobs and defending the status quo in services, regardless of deficiencies, has itself had to go.

The trade unions' initial view was that the policy was so self-evidently foolish that no government would get away with it. Next came strident campaigns of opposition and then a feeling of some alarm at our apparent lack of public support.

The early campaigns were difficult to mount because the Government's policy changed rapidly. Initially conceived as a mechanism for deregulation, increased competition and anti-statism,privatisation has since become an indispensable revenue raiser for a Government whose commitments - to re*duced income tax rates, lower* public borrowing and macro-economic policies that leave a substantial social security bill to be picked up as the price for mass unemployment - cannot otherwise be reconciled.

When in 1984 the Government's forward plans for public expenditure revealed that asset sales of £14bn-plus were needed over three years to balance the books, privatisation was firmly established as a mechanism for raising revenue rather than as a policy for promoting competition by breaking up monopolies and other large units.

So British Telecom and British Gas were not opened up to greater competition. Public monopolies became private monopolies and the Treasury took the spoils. It will be the same with water and electricity: the demands of the Treasury will take priority over the libertarian inclinations of Conservative theoreticians.

The situation is further confused by an official ambivalence as to whether privatisation as a labour market policy is supposed to be a pleasurable experience - *the "carrot" of lucrative worker shareholdings* and more liberal promotion structures - or a stern discipline for a "lax" public sector.

In fact,250,000 members of my union in the public services, are now faced with the possibility of their jobs being contracted-out to operators who have an appalling record as employers.

The instances of poor service provision - filthy hospital wards, squalid kitchens and uncleaned schools - where contractors have moved in, are matched by cases of arbitrary treatment of staff, of enforced reductions in hours, and thus in pay, and the stripping away of basic conditions in terms of holiday entitlement and sick pay provisions.

Even in those enterprises which have been privatised by share flotation, the significance of worker shareholdings is in danger of being over-stated to the point of absurdity. As a way of involving a workforce in decisions and therefore in the fortunes of an enterprise its significance is just about zero. So if contracting out has been bad news for the workers affected, *and if flotation has been largely* an irrelevance for workers in former public industries, can it all be justified in terms of benefits for consumers? The only clear message seems to be that privatisation has exploded the myth of a free market dealing in an even-handed way with undifferentiated consumers.

Some consumers are clearly more equal than others, as millions of domestic telephone users and millions more gas consumers will testify. The removal or downgrading of public service conditions in the operations of privatised businesses has brought about a significant shift in the priority groups which the new companies have sought to serve.

Privatisation has made the interests of the consumers of services (and of those who work in providing them) subservient to the often short-term interests of investors - and especially the large institutional investors - on whom the Government depends for the revenue raising exercise that privatisation has become.

And it is an argument that is reverberating noisily in the case of the water industry at *present in the form of a debate* about the powers to be given to the regulatory agencies *vis-a-vis* those of the water authorities.

When proposals for the disposal of the nuclear industry take firmer shape the arguments about public responsibilities of private operators will become even more acute.

It is not surprising, then, that the most significant development in the trade union response to privatisation has been the establishment of strong links with those who represent the consumers of public services which are now on the Government's shopping list.

In the water industry, for example, a wide alliance has been built up between those who work in the water authorities, environmentalists and leisure groups who use the industry's facilities. The same approach is governing our response to privatisation plans for the electricity industry and the proposals for compulsory tendering for local authority services.

To that extent, privatisation has posed an important challenge to unions, as to the Left in politics. The challenge is to move away from rather sterile arguments about the pattern of ownership in industry and to concentrate instead on the much more practical question of which structures and relationships best deliver the goods and services to the public.

The irony is that the Government, by reducing its interest to a cash-raising one, has removed itself from this debate. It is now the unions which through the dialogue which has been opened with users of services, are taking that debate forward.

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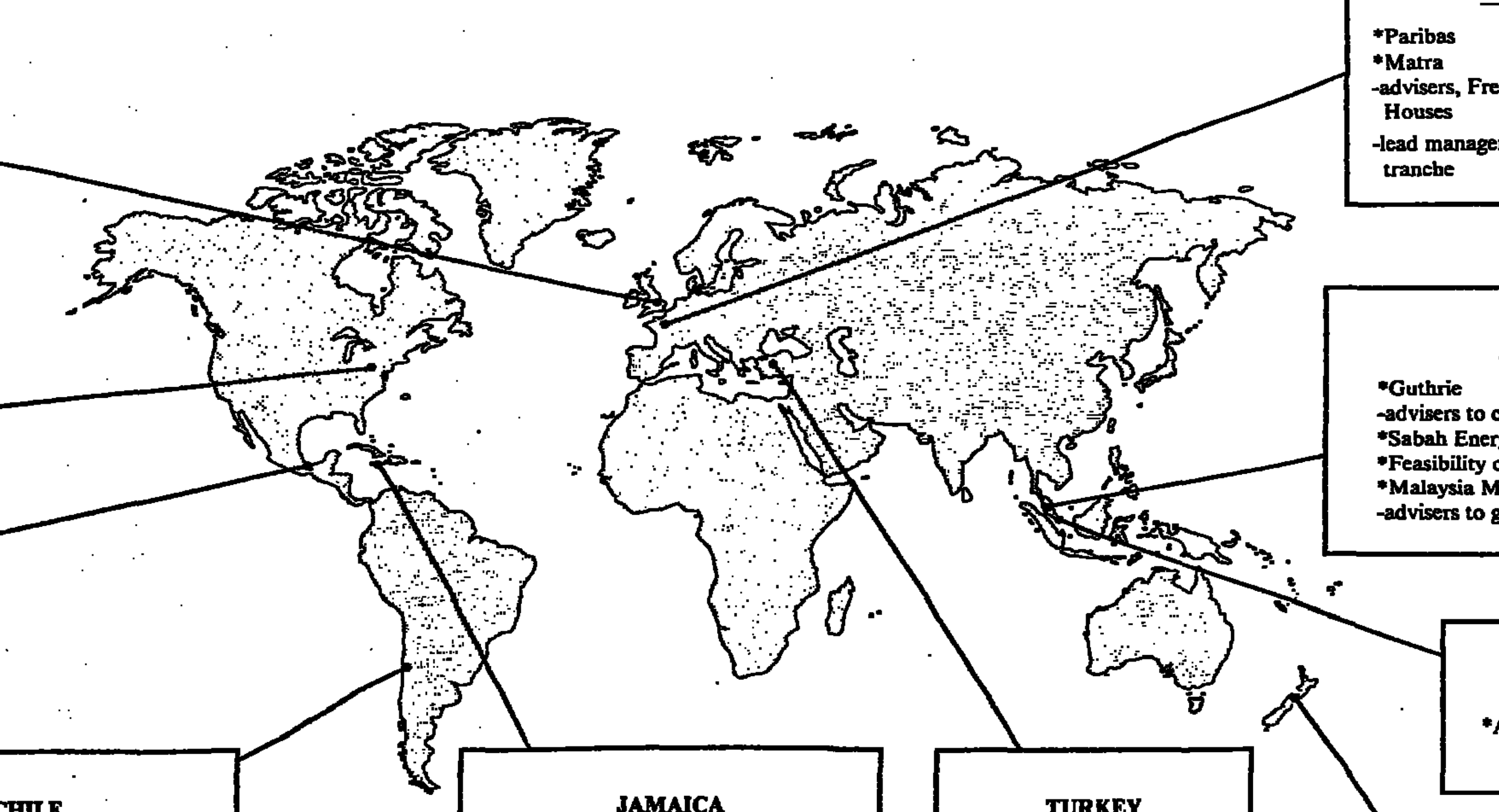

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Associated British Ports

Making the most of docklands

ASSOCIATED BRITISH Ports, formerly the British Transport Docks Board, was one of the Government's earliest privatisation measures, and in many ways one of the most controversial.

The sale of 51.5 per cent of the shares in February 1983 removed 19 ports from the public sector - the biggest port operation in the UK - and, with them, control over a quarter of British seaborne trade.

Initially, it contributed nothing to taxpayers' funds: the Treasury received gross proceeds of £22m before expenses from the sale of its majority holding, but only after writing off debts of £56m, leaving a net loss of £34m.

The Government was able to show a profit only after the sale of the balance of the shares in April 1984, which raised £52m. The net gain at the end of the day to the Treasury was £14m, after expenses estimated at £4m.

There was also concern among Labour MPs and trade union leaders that the sale would lead to abolition of employment protection in the docks industry, though these fears have so far been unjustified.

For all these reasons, as well as a more general ideological objection, the privatisation of ABP was strongly resisted in Parliament and outside.

The Government disarmed much of the criticism, however, by setting aside 1m shares for employees on preferential terms, amounting to 2.5 per cent of the company's issued share capital.

The response to this offer undermined the moral basis of much of the opposition: 90 per cent of ABP's staff own a stake in the company, with an average holding of 4,000 shares.

The initial offer for sale was 34 times oversubscribed, with a total of 156,000 applications for shares priced at 112p. (The second tranche was sold by way of a tender offer in which the striking price was 270p per share, a small premium on the minimum price of 250p.)

The share price rose to 139p the day after the initial issue, and has hardly stopped rising since. It reached 435p after three years, and on the fourth anniversary, earlier this year, stood at 427p - after a one-for-one scrip issue in June 1986.

The sale of ABP's 19 ports as a single operating unit meant that there was no immediate increase in the level of competition in the ports industry. It may, nevertheless, come to be seen as an important catalyst for structural reform because of the company's increased willingness to speak out about what it sees as distortions caused by subsidies to the declining ports of London and Liverpool.

The point was forcibly made last year when ABP announced its withdrawal from the employers' organisation, the British Ports Association, in protest at the association's reluctance to criticise the two older ports.

Sir Keith Stuart, chairman of ABP, and the primary architect of privatisation, says the sale of the company was a logical move which enabled it to realise its full potential by escaping from Treasury control of expenditure planning.

In addition to the public expenditure controls on all nationalised industries, ABP suffered from the restraints of the 1962 Transport Act, a Conservative measure designed, in Sir Keith's words, to "clip the wings" of the state transport undertakings.

The effect of the Act was to prevent ABP using its assets for any purpose other than port operations, and the removal of this restraint has been responsible for an increasing involvement in property development, which last year contributed £6.4m to pretax profits of £26m.

Property was a natural area for diversification for a company which came into being with an existing land bank of more than 7,000 acres. The initial strategy was to promote joint ventures with property specialists, but the group acquired its own in-house expertise last year by purchasing Grosvenor Square Properties.

This acquisition gave ABP a substantial land portfolio in the South-East of England, away from its main concentration of port-based land in the North, East Anglia and South Wales. More recently, this was boosted by the £25m purchase of Aldwych House, in London, from Legal and General.

Elsewhere, major developments are underway in Southampton and at Poyle, near Heathrow Airport; and others are planned for a 250-acre site at Barry, and on land in the Cardiff Bay development area.

Sir Keith says property is likely to play an increasingly important part in the group's activities, and will probably contribute up to half of pre-tax profits in the near future.

He is adamant, however, that there is no question of ABP ceasing to be a port operator, or even of gradually winding down the ports side of the business.

"We don't see the ports industry as an over-mature industry from which more profit cannot be extracted. It is capable of doing better," he says.

This will depend on continued progress in attracting new business, and increasing efficiency. The group's workforce is down to around 6,000 from 9,000 in 1983, of which around a third are registered dock workers, whose jobs are protected under the Dock Labour Scheme.

How much further the workforce can be reduced remains to be seen, but the cost structure of the industry is such that even small improvements are likely to feed straight through to the bottom line.

Sir Keith says ABP would consider acquiring further ports if they offered an increase in the group's earnings per share, but only if the price was right.

This strategy led to the collapse of talks with Sealink over the proposed purchase of three ports, and a recent approach from the City of Bristol was met with similar caution because of the heavy subsidies required to keep the municipal docks in business.

"We are not in the market to buy loss-making docks. We are simply not interested in that, and there is no reason why we should be. Our primary policy must be to increase earnings per share, and we will not do that by buying in losses," Sir Keith says.

Kevin Brown

National Freight Corporation

Unique business experiment

THE SALE of the National Freight Company in Feburary 1982 was probably the most difficult of all the Government's privatisation measures.

NFC - later renamed the National Freight Consortium - was the only state-owned company mentioned by name in the 1979 Conservative manifesto as a candidate for privatisation. But in the months after the election, the new government found that its preferred option, an offer for sale, could not be achieved because of a patchy profit record.

An alternative strategy for a management-led staff buy-out was conceived in mid-1981 by a group of senior managers who believed the poor performance figures concealed a strong underlying growth brought about by a substantial restructuring. They were led by Sir Peter Thompson, then deputy chairman, who was appointed chairman after privatisation.

Sir Peter told the press shortly afterwards: 'Five hundred staff meetings, 30 lawyers, 25 civil servants, six management briefings, three QCs, two Secretaries of State, one Act of Parliament and four months later, I have come to realise that it was not quite as simple as I thought.'

The buy-out could not have taken place without a change in the law, embodied in the 1981 Companies Act, enabling the company's workers to be both employees and controlling shareholders.

It also depended on the political commitment of Mr Norman Fowler, the then Transport Secretary and author of the original Conservative undertaking to privatise the company, and Mr David Howell, his successor shortly before the sale.

The most crucial support, however, came from 10,300 employees and pensioners of NFC, some of whom mortgaged their houses or took out bank loans to buy shares in the company they worked for.

The employee shareholders subscribed £4.125m for 82.5 per cent of the shares, triggering bank loans of £51m in return for the remaining 17.5 per cent of the equity.

The Government received £53.5m for its 100 per cent holding in the company, but was required, under the terms of the deal, to pay £47m of the proceeds into the NFC pension fund to eliminate unfunded liabilities. In addition, the Government wrote off debts of £100m.

In financial terms it ws not a good deal for the Government, which received less than £7m for a company with net assets of £93.3m. But the motive for the sale had been succintly summed up during the negotiating process by Mr Philip Mayo, NFC's director of legal services, in a confidential company document headed principles of a management-led consortium.

The document, quoted by Sandy McLachlan in his book The National Freight Buy-Out, said of the Government's approach: 'This is a political commitment, and is not related to financial considerations, but the price obtained must not appear to be totally derisory.

The result of the buy-out was a public company operating under the Companies Acts, whose shareholders have the same rights to appoint and dismiss directors as those of other companies, but are mostly employees as well.

This concept required the creation of a novel dealing mechanism in order to create a market in the shares while preventing a take-over by an outside predator.

The shares are traded only four times a year, through a share trust which matches buyers and sellers on the basis of a price set by an independent firm of accountants. A small number of extra shares are issued each year to cater for new employees.

There has been a determined attempt to expand the ownership of shares within the company. The initial register of 10,300 shareholders included about a third of the then workforce of 26,000; there are now over 30,000 shareholders, including around 75 per cent of the current workforce of 29,000.

Those who invested in the initial offer have made a substantial profit on their holdings: the share price at the last dealing day on September 11 was £1.35, which is 54 times the original valuation, taking account of share splits and scrip issues. Put another way, the initial average investment of £700 in 1982 is now worth £37,800.

The increase in the share value reflects the improvement in the company's financial performance, which has more than justified the initial faith of the buy-out organisers.

Pre-tax profits have risen from £10.1m in the year after privatisation, to £37m in 1985/86, and £16m in the first half of the current year (up 27 per cent).

At the same time the group has increased turnover from £461.3m to £747.6m while withdrawing from some of its loss-making activities in general haulage in order to concentrate on more specialist areas such as distribution and express services.

NFC remains a collection of diverse operating interests, however, spanning travel services, property development, vehicle hire, warehousing and storage as well as freight transport activities.

There is little doubt in the minds of NFC managers that employee ownership has been beneficial for the privatised group, and there is strong resistance among the workforce to dilution of its aggregate holding.

Nevertheless, the company is investigating the prospects for a stockmarket flotation in the next couple of years, mainly to provide access to sufficient capital to finance future expansion.

The board will decide shortly whether to recommend a full or partial flotation to the next annual meeting in February, possibly with safeguards to prevent an outside take-over.

Whether outside investors will be given a chance to share in future growth will depend, however, on the views of 30,000 people who may not feel inclined to bring to an end a unique business experiment.

Kevin Brown

Privatisation delivers the goods: National Freight Corporation's SPD restaurant service on the road.

British Airways

Urge to merge and expand

THE PROPOSED £237m merger between British Airways and British Caledonian, now the subject of a Monopolies Commission probe, is the first sign of a policy of more aggressive competition by BA following its privatisation earlier this year.

By any standards, BA has begun its first full financial year as a privatised airline well, with a pre-tax profit of £90m in the first three months of 1987-88 (April 1 to June 30). This compared with £31m in the comparable period of last year, although that was depressed by the slump in North Atlantic air travel following the Chernobyl accident, and fears of terrorism in Europe in the wake of the US bombing of Libya.

Results for the second quarter to end September also seem likely to be good, for the forward bookings for the quarter have been strong.

Such results are essential, for BA, like other airlines, traditionally builds up its financial strength in the summer months to tide it over the more dismal winter period.

Moreover, there are already signs of some significant changes occurring in the financial condition of the airline industry. Whereas last year fuel prices fell, giving BA a windfall cut of some £199m in its fuel bill - more than its eventual pre-tax profit for 1986-87 of £162m - fuel prices have begun to rise again, and BA like other airlines will have to work hard to minimise the effect of that.

At the same time, labour and other costs, such as those of aircraft equipment, are rising, and BA will also have to take account of these in calculating future strategy.

For these reasons, even before privatisation BA was making clear its intention of doing all it could to strengthen itself in the face of changing conditions in the industry, one of which was increasing competition both at home and overseas.

Before privatisation, BA was prevented from becoming too dominant because of the Government's long-standing civil aviation policy, requiring the existence of a "second force" UK airline, British Caledonian, to confront BA on world air routes.

Privatisation, however, has given BA a new freedom to be much more venturesome, even if some of its new ideas, such as the projected merger with BCal, may prove to be too strong for the Government or the rest of the airline industry to stomach.

The situation now is that, whether it becomes effective or not, the BA-BCal merger plan has changed the face of UK civil aviation for ever, and given a new impetus to aggressive marketing by all the UK airlines, as a means of survival in an increasingly hostile environment, despite the growing volume of world air travel.

Inevitably, there will be a similar rationalisation among the rest of the UK independent airlines, though who will link with whom is as yet far from clear. But by the end of this decade, the structure of the UK airline industry will be substantially different from that seen today, as a direct result of the privatisation of BA itself.

One of the major reasons put forward for the proposed merger with BCal was that some of newly emerging US "mega-carrier" airlines, already flying the Atlantic, could increase their market power at BA's expense either by flying directly from their US home "hub" airports across the North Atlantic to European cities, thereby bypassing such major destinations served by BA as New York, or by seeking increased "fifth freedom" rights in Europe.

The latter is the name given to the right of an airline to pick up and set down passengers in countries other than its own, a right that is customarily jealously guarded because excessive use of it can damage the commercial situations of the local national airlines of those countries.

Fifth freedom operations by US carriers have increased in recent years, having been won through major bargaining sessions with European countries seeking and gaining additional rights for their own airlines into the US.

BA has been watching with concern not only this growth of US competition, but also the expansion of many other foreign airlines, especially those in Western Europe, and in the Far East and South-East Asia. Many of these already fly to Britain and have been seeking extra frequencies or rights to additional UK destinations.

BA has thus felt for some time that it needed to strengthen itself, recognising that this kind of competition would be bound to continue in the expanding air transport markets of the future.

BCal itself was not originally on the list of possible BA acquisitions, having been for a long time a fiercely independent operator. Indeed, BA was prepared to fight it literally to the possible death - either driving BCal out of business or into the arms of another airline.

BCal's own much weaker position left it little choice but to rethink its future strategy, which led first to a series of discussions with other airlines, and then to the dramatic takeover offer by BA.

Both airlines are new anxious to ensure that their proposed merger is recommended by the Monopolies Commission in its November report, and then approved by the Government, despite the hostility it has aroused in the rest of the UK airline industry.

There are several bitter battles ahead through the Civil Aviation Authority's route licensing procedures, as several smaller independent airlines seek to take over many of the existing BCal routes, to strengthen themselves in the light of BA's own bid to become stronger.

Air Europe, for example, is seeking the revocation of BCal's short-haul international air routes in Western Europe and their re-allocation to itself. Virgin Atlantic is bidding for rights on BCal's long-haul routes, especially to Tokyo, Hong Kong and Los Angeles.

If the Commission recommends approval of the merger, the Government may have to recast its own competition policy, to allow other independent airlines to take the place of BCal on those routes where its own and BA's operations seem likely to be combined.

But if the Commission rejects the merger, both BA and BCal will be certain to look for other partners to achieve the greater competitive strength both will need.

This will be easier for BA than for BCal. The latter has been in discussions with some other European and US airlines - UTA of France, Alitalia of Italy and Northwest of the US have been suggested as possible partners. While the Monopolies probe is under way BCal says it will maintain "loose contacts" with those operators. But BCal is clearly keeping its long-term options open.

It can be taken for granted that the rationalisation of the UK air transport industry still has some way to go. But if BCal is not allowed to get together with BA, it will certainly do so with some other airline, British or foreign. This will lead to other independents seeking similar links, while BA itself will continue to seek ways of ensuring that its own ambitious expansion plans are not thwarted.

Michael Donne

British Airports Authority

Critical time for growth

THE FORMER British Airports Authority, now BAA plc, has been privatised at a critical time in its history.

Air traffic to and from the UK is rising rapidly and the organisation is in the throes of its biggest and costliest-ever expansion programme. But many of its airline customers are restive over what they regard as over-charging by BAA not only for aircraft landing and parking, but also at terminals for such things as check-in desks. In the longer term, other problems loom, such as what to do about increasing capacity in the later 1990s and early into the next century to meet the rising tide of traffic.

Forecasts are that up to the end of this century, overall air traffic to and from London's airports will rise by between 3.4 and 6.1 per cent a year, and between 2.1 and 5.7 per cent at other UK airports, so that BAA can reasonably assume that it is in a "growth" industry.

However, it has never been an easy task to run an airport. Not only is there pressure from environmentalists, but virtually everyone who uses an airport, either as an airline operator or a passenger, is likely to have some criticism to make.

The fact that BAA has done better than most airport authorities in coping with such problems owes much to the vigour and tenacity of its chairman, Sir Norman Payne, and the high-quality technical and administrative team he has built up round him over the past 22 years.

Sir Norman has been involved with BAA since its inception, first in 1965 as director of engineering, then as director of planning from 1969, as chief executive in 1972 and chairman since 1977. He probably now knows more about airports than anyone else in the world.

Under his leadership, BAA has been consistently expansionist and profitable. In the 12 months to end-June this year, the seven BAA airports (Heathrow, Gatwick, Stansted, Glasgow, Prestwick, Edinburgh and Aberdeen) handled 57.83m passengers, a rise of 8.6 per cent over the previous 12 months, and 772,117 metric tonnes of cargo, a rise of 4.3 per cent.

For the year ended last March 31, the BAA operating profit on a historical cost basis amounted to £131m, comprising a loss of £9m on "traffic" account - the business of handling aeroplanes, through landing charges, parking fees and other facilities - and a profit of £140m on "commercial" account - that is the money earned from retailing concessions to airlines and other organisations, to cover such items as check-in desks, offices, car parking, duty-free and other goods sales in shops, bars and restaurants.

Within those figures lies the clue to the whole problem of running airports in the UK: the cash earned from handling aeroplanes comes nowhere near to meeting the basic costs involved in providing facilities for those aircraft. The runways, terminal buildings and parking aprons are the most expensive items to provide at any airport.

As a result, the profits to keep the business running and to finance major new developments, such as the new North Terminal at Gatwick, costing £278m, and the development of Stansted at £295m, the £95m refurbishment of Terminal Three at Heathrow and the £110m refurbishment of Glasgow, must come from other sources, the "commercial" concessions.

This situation is unlikely to change as a result of privatisation. Although BAA makes a heavy loss on handling aeroplanes, many foreign airlines have frequently complained at what they describe as the authority's excessively high landing and aircraft parking fees, obliging BAA to keep increases to a minimum or even declare periods of "status quo" on such charges, despite inflation.

Partly as a result of those pressures, and partly because of concern that the privatised BAA was the dominant airport organisation in the UK, and especially in the South East, strict regulation of pricing has been imposed by the Government, to be reviewed every five years by the Civil Aviation Authority with recourse to the Monopolies Commission if necessary.

There are other regulations, such as those concerning safety, and environmental controls for noise and pollution abatement, which in turn impose operational constraints by day and substantially reduce the night-time use of the London airports. And there are physical limitations on the volume of aircraft traffic that can be handled arising from air traffic control regulations, and runway capacity limitations.

Collectively, all these factors will restrict BAA's capabilities to earn profits, especially in the "traffic" area. As a result, its skills will be severely tested in the years ahead in finding ways of exploiting opportunities in the "commercial" sector without contravening any of the regulations by which it is bound.

This will be especially the case since its already-planned capital spending will amount to some £850m over the next five years, requiring a consistently high level of profit to finance.

Beyond that, further heavy spending will be needed on maintenance to preserve its high standards of safety, while in addition, into the 1990s, lies the problem of what further facilities to develop to meet the inexorably rising tide of traffic, especially in the South-East.

It is now generally accepted that some time towards the late 1990s, even with the expanded facilities now being created by the new Gatwick terminal and the development of Stansted, further capacity will be needed in the London area to cope with traffic growth into the next century.

This may be met either by a fifth passenger terminal at Heathrow, or by another terminal and other facilities at Stansted to enable it to go beyond the 15m passengers a year currently envisaged, possibly taking that airport up to 25m passengers a year on the single available runway. To go beyond that would need a second runway, and environmental constraints might prevent that at Stansted, forcing the search for alternative sites.

All those new facilities, whatever they may be or where, will be expensive. And they will almost certainly involve another round of lengthy, contentious public planning inquiries before they can be developed.

Since it takes up to 10 years to get a major airport development through all such procedures from conception to ultimate operation, many believe the initial decisions on new London area capacity will have to be taken before the end of this current decade.

For all these reasons, life in the private sector for BAA will be much less rosy than many suggested in the run-up to privatisation. Nevertheless, the BAA management remains confident, largely because it knows that it is in a major growth industry.

Michael Donne

British Rail

Towards a bigger role for private capital

IT IS a measure of the success of the three Thatcher administrations in shifting the ground of political debate that the privatisation of British Rail is becoming increasingly the subject of serious academic and political discussion.

The subject is still sensitive enough, however, for Mr John Moore, the former Transport Secretary, to have found it necessary to assure the House of Commons shortly before the last election that no proposals were then under consideration.

Mr Paul Channon, the new Transport Secretary, appointed after the election, has not yet faced questioning in the House on his priorities for British Rail. There is little doubt, however, that the massive task of selling the rail network will have to wait - if it is to be done at all - until after the electricity industry has been disposed of, which means nothing is likely to happen until the next Parliament.

For the moment, then, wholesale privatisation is of largely academic interest, though in a number of ancillary activities private capital is already playing a part, or will shortly begin to do so.

The debate is of enormous importance, however, because of the part it will play in setting the ground rules for possible action by a fourth Conservative administration.

The Government's view of British Rail's future has been fairly clear since 1983, when the British Rail Board - the industry's holding company - was instructed to reduce its dependence on taxpayers' funds for revenue support, and to withdraw from non-rail activities.

The first instruction is expected to lead to a cut of 50 per cent in grants over the six years to 1989; the second has already led to a large programme of asset sales.

These have included the Sealink UK ferry operation, together with an associated Hovercraft subsidiary, and British Transport Hotels - including the prestigious Gleneagles and Turnberry hotels.

Further progress towards privatisation presents huge practical problems, but several options have emerged:

Privatisation as a single operating unit: This was the option favoured by Mr Nicholas Ridley, another former Transport Secretary, and by Professors Michael Beesley and Stephen Littlechild in an article in the Lloyds Bank Review.

The obvious drawback is the difficulty of finding a buyer for a corporation with net operating assets of £3.4bn which has never made a profit, and is unlikely ever to do so.

Professors Beesley and Littlechild suggested that this could be overcome by making use of the high alternative use value of BR's assets. They accepted that this would create "an asset stripper's paradise" but maintained that this was in the general consumer's interest because of the declining nature of rail operations.

Under the Beesley/Littlechild scheme, privatised companies would be required to provide a minimum programme of rail services, financed by sales of land freed by the greater efficiency of private operation.

The cross-party House of Commons Transport Committee, which recently considered this scheme, concluded that it would cause rail services to be "very much reduced."

Creation of regional private companies: This is the path adopted by the conservative government of Japan, which broke up the loss-making Japan National Railways into six regional passenger companies and a single nationwide freight operator.

The companies remain in the public sector for the time being, but the Government is adamant that they will eventually be sold to the private sector. All are potentially profitable - after writing off most of JNR's accumulated debt of ¥37,000bn (£155bn).

There are doubts, however, about whether investors will back the eventual flotation, partly because of the lacklustre performance of the existing 14 private railway companies in Japan.

Whether this strategy could be adopted in the UK is questionable: no evidence has yet been produced to indicate that such companies would be any more profitable than the regional monopolies nationalised in 1948.

Separation of infrastructure from operation: This option has been put forward, under different guises, by several commentators, including Professor David Starkie, in the Financial Times, and Mr Kenneth Irvine, in a recent publication for the Adam Smith Society, called The Right Lines.

Mr Irvine argued that BR's existing business sectors - InterCity, Network SouthEast, Freight, Parcels and Provincial - could operate as private companies on track owned and maintained by a separate infrastructure company, initially remaining within the public sector, but latter becoming a candidate for flotation.

Prof Starkie suggested that new private companies might be given access to BR track under "rules for entry" to be drawn up by the Government to ensure fair competition.

Both these suggestions rely to some extent on the assertion that private operation would generate extra demand, and expand rail services, because of its inherently greater efficiency.

Use of privately-owned rolling stock: Around 40 per cent of the wagons operating on BR track are now privately owned, either by customers, or by specialist leasing companies such as Tiphook.

This process has been taken a stage further by Foster Yeoman, which last year purchased four diesel locomotives from General Motors of the US to haul aggregates between quarries in Somerset and depots in the South-East. Tiphook is also considering a proposal to buy and operate locomotives.

This development is paralleled in the passenger-carrying field by the Venice-Simplon-Orient-Express luxury service reopened by the American entrepreneur Mr James Sherwood.

Private ownership has a number of advantages for BR - it adds to the capacity of the railway at no extra capital cost, while also producing marginal revenue. At the same time, it presents no threat to the Board's monopoly, since both locomotives and wagons have to be crewed and maintained by BR staff.

The equation looks slightly less rosy from the point of view of the owners of the private rolling stock, however: both VSOE and ARC, a major owner of freight wagons, have complained that BR's monopoly gives it an unfair advantage in negotiations over haulage, crewing and maintenance.

Use of private capital in ancillary activities: The Board has gone out of its way to attract private capital in a number of areas - most recently by deciding to put up the 346 Travellers Fare station catering outlets for private tender.

It later emerged that the Board expects Travellers Fare to retain the contracts to operate most of these outlets, but some are almost certain to join the 80 or so private station catering outlets already in operation.

Catering is seen by the Board as a prime area for private participation, and this has also led to the involvement of companies such as Trusthouse Forte in providing meals on trains, particularly on long-distance InterCity services. There is also extensive joint property development activity with the private sector, arising partly from a Government instruction to BR to sell land not required for its operations and partly from the Board's desire to maximise revenue from station developments.

Private sector investment in new projects totalled £115m during 1986/87, in addition to £72.5m invested in projects already under development.

Privatisation of further subsidiaries: Several candidates have been mentioned, notably Freightliner, the intermodal container carrier; Red Star, the express parcels operation; the entire Parcels sector; Transmark, the consultancy business; and the British Rail Property Board.

The most likely area for action in the near future, however, is British Rail Engineering (BREL) which has been split into two groups, one dealing with routine BR maintenance needs; the other with rolling stock construction and heavy maintenance.

The Board has carried out a pilot study of the prospects for contracting out heavy maintenance, and the BREL construction group has been forced to compete with outside suppliers for BR rolling stock orders.

BREL has made large losses on the contracts it has won on a competitive basis, and is unlikely to be ready for privatisation for some time. The Board has so far said only that BREL is to move towards "financial independence."

Kevin Brown

UK telecommunications companies

Public backlash against BT

Sir Eric Sharp, chairman of Cable and Wireless: The company's sleepy image has been transformed under privatisation

THIS YEAR will not be remembered as a happy one in the unfolding saga of the privatisation of Britain's telecommunications.

When just over 50 per cent of British Telecom was sold in November 1984, the disposal was widely regarded as a triumph. Before the high profile campaign leading up to the sale, there were widespread doubts about the City's ability to handle such an issue - the first time one of the big utilities was sold. In fact, the offer was three times over-subscribed and Britain gained a new army of small shareholders.

Since then, however, opinions about the privatisation of BT have turned sour, with a crescendo of criticism this summer, which was fuelled by a couple of highly-publicised breakdowns at key exchanges in central London and culminated in last week's surprise resignation of Sir George Jefferson, who as the company's chairman piloted BT from the public into the private sector. Britain's privatised telephone company has begun to seem as unpopular as any nationalised industry, with Paul Johnson, the right-wing pundit, describing it as "the most loathed institution in the country." It was bringing privatisation to disrepute, he said.

In many ways, these attacks were wide of the mark. BT had taken into the private sector a legacy of grossly out-of-date equipment, which it is now struggling to replace. Moreover, some of its problems this year were caused by the aftermath of a dispute with its unions, which was partly about the company's wish to win more efficient working practices from its workers.

There is no doubt that some aspects of Britain's telecommunications have improved dramatically since the early 1980s, when greater competition was introduced into the telecoms market as a forerunner to the sale of BT. Waiting lists are shorter and the range of equipment available to users is immeasurably wider.

Yet the basic phone service appears to many people to have changed little. The Government will probably want to see more improvement in BT's performance before it sells its remaining 49.8 per cent stake in the company. It is free to do so after next April, though the precise timing will no doubt be determined by the staging of other privatisation issues and by the Government's need for cash.

The disillusionment with BT is partly due to the very success of the campaign preceding the sale - people's expectations of the difference which privatisation would make in the short term were unreasonably raised. But it also reflects a more fundamental worry :that the framework created in 1984 was badly thought out

BT entered the private sector without sufficient competition. Since Mercury Communications, its new rival, was bound to take several years to establish itself, Ministers should have insisted on much tougher surrogates for competition during the early days.

This view, voiced by some commentators before the sale, has now become received wisdom in the debate about BT. The interesting point to watch is how the present dissatisfaction affects decisions due soon about the structure of the industry in the 1990s.

The debate, which has started in private in Whitehall and within the industry, is still in its early stages, yet majority opinion already appears to be crystallising around four points.

● BT will have to live with a tougher price regime after 1989, when the formula which keeps price changes for its main inland services to less than 3 per cent below inflation is up for review. This tougher regime will partly reflect the dissatisfaction with the company's poor quality of service.

● In 1989, the Government will also inject greater competition by allowing companies to lease circuits from BT and resell them for simple voice traffic, which they are banned from doing at present.

● Further encouragement will be given in the 1990s to new types of services that nibble away at BT's dominance of telecommunications traffic. The most obvious candidates at present are mobile communications and telecoms services over cable television networks.

● But the basic duopoly held by BT and Mercury will not be broken in 1990, when the decision is due, mainly because encouraging extra mainstream telephone operators would damage Mercury more than BT.

Some people have suggested an even more radical approach, such as splitting BT along regional lines. However, BT would argue that this would merely create several regional near-monopolies in place of one national near-monopoly.

At some stage too, the powers given to the Office of Telecommunications, the industry's regulatory body, may be reviewed. One refrain during the summer row about BT was that Oftel was too close to BT - a watchdog without any teeth.

This is not a view shared by many people who follow the industry closely: most think Oftel has carried out its task skilfully. Yet it has to refer major disputes to the Monopolies and Mergers Commission - a cumbersome procedure which may have blunted its ability to take BT on.

Amid the dissatisfaction with BT, it is easy to forget that a second telecommunications company has featured in the privatisation programme - Cable and Wireless, sold in three slices in 1981, 1983 and 1985.

In Britain, C & W's profile has traditionally been as low as BT's is high, because - with the exception of its fledgling Mercury business - almost all its operations are outside the UK. Before privatisation, C&W ticked over, running telephone systems for several countries around the world, mainly ex-colonies of Britain.

Its sleepy image has been transformed under privatisation by Sir Eric Sharp, its chairman. C&W has emerged as a player of importance on the world telecoms scene with its ambitious proposal to build a "global digital highway" - a fibre optic system spanning the world which will provide competition, mainly for high volume business users, to the established telecoms operators.

C & W almost became a household name earlier this year thanks to a row between Britain and Japan about part of this proposed highway. The company, part of a consortium bidding to become Japan's second international telecoms operator, has received UK Government backing for resisting moves in Tokyo designed, apparently, to dilute foreign interests in this project.

The global digital highway, though grandiosely named, is important because it is acting as a cutting edge of telecoms liberalisation around the world. Many other countries are busy injecting competition into their telecommunications systems. However, few have followed the lead of the UK and Japan in selling shares in their government-owned telecoms operations.

It should become clearer over the next year how far key countries like West Germany and France are prepared to go in opening up their highly regulated telecoms operations to competition. But the fact that the trend throughout the world is towards greater competition suggests the basic goals of Britain's programme in telecommunications were correct, even if some of the choices about mechanisms were faulty.

David Thomas

The Post Office

The one that got away - so far

THE POST Office is the nationalised industry which, so far, has got away.

Uniquely among public corporations, its heart - the Royal Mail - was ruled out as a candidate for privatisation by the Prime Minister during the general election campaign. People felt very strongly about it and it was quite different from other nationalised industries, Mrs Thatcher said.

Ministers have not elaborated since on these remarks, which caused some surprise at the time. But a clue to the thinking behind them could be gleaned from a series of meetings held before the election to discuss the notion of privatising the Post Office.

They were called partly in response to plans published earlier in the year by right-wing pressure groups, whose work on other areas has influenced Government thinking. Just after Christmas, the Centre for Policy Studies won much publicity with a report advocating the phased privatisation of the Post Office in the following stages:

●Halving the £1 minimum which private delivery companies must charge at present for handling time-sensitive mail.

●Establishing the Post Office's constituent businesses as separate limited companies.

●Selling National Girobank, the Post Office's banking subsidiary.

●Selling the Post Office's counter service and phasing out its monopoly over government agency work such as unemployment benefit payments.

●Removing the monopoly on the carriage of letters.

●Selling the Post Office's parcels operations, followed by the sale of the letters business.

The Adam Smith Institute followed up in March with a similar report advocating the sale of high street post offices to a bank or building society, as well as reforms not strictly connected to privatisation, such as the spreading of the payment of pensions and other social benefits evenly throughout the week.

Meetings held to discuss Post Office privatisation by the Centre for Policy Studies itself and by the Mail Users' Association, representing mainly business customers, revealed deep worries about the possible consequences among two groups with no ideological axe to grind against privatisation - avowed Tory supporters and business users of the postal service.

Concern centred on two main questions. Would privatisation mean an end to common pricing for letters, whereby it costs the same to send a letter from London to Scotland as it does from London to Kent? And, in particular, would privatisation mean poorer service and higher prices for rural areas?

There were also subsidiary worries about the precise mechanisms. Businesses have expectations about quality of service and means of redress when they send letters with the monopoly Post Office.

Added to these highly practical concerns was a vaguer worry, hinted at by the Prime Minister, that there is something special about the Post Office - symbolized by the "royal" in Royal Mail and the Queen's head appearing on all stamps.

Yet Ministers have been prepared to run against conventional wisdom with other privatisations. Perhaps the decisive factor which persuaded them against adding the Post Office to the list is that the corporation has been performing well since the beginning of the 1980s.

The number of letters sent has increased by a quarter during the past five years, a surprise to many observers. New types of demand, such as direct mail advertising, accounted for some of this, but so too did the policies of Sir Ron Dearing, the corporation's recently retired chairman, who kept price rises below inflation.

This was made possible by a drive on costs. Radical deals with the postal unions ushered in greater labour flexibility and more part-time workers. These more efficient working practices were crucial in an industry where labour is as much as two-thirds of costs.

This has shown up in the bottom line, with the corporation consistently turning in profits - an achievement almost unique among the world's postal administrations.

Yet the Prime Minister was careful not to rule out the possibility of privatising parts of the Post Office other than the Royal Mail - principally its National Girobank banking subsidiary and sales at the counter - though she did say this was not a top priority. Sir Bryan Nicholson, the new Post Office chairman, was studiously non-committal about the prospects of these other parts being privatised when his appointment was announced last month.

The Post Office has consistently argued that, if it is to be privatised, it should be sold as one entity, because its constituent parts are inter-dependent: National Girobank's business, for example, is conducted over the counter network. However, it probably would not defy the ingenuity of civil servants to come up with solutions

Another possibility is more joint ventures between the Post Office and the private sector. In July 1986, the Government wrote to the Post Office asking it to consider ways of using private cash. There has been a deafening silence from the corporation and the Department of Trade and Industry on the subject ever since.

Ministers could also decide to nibble away at the Post Office's monopoly. One of the Thatcher Government's first actions in the early 1980s was to allow private companies in competition with the Post Office to handle time-sensitive mail provided they charged at least £1. The Post Office, struggling to keep pace with the surge in mail, was not unduly bothered by this small dent in its monopoly. But the Government could decide to open the gates a little wider, perhaps by reducing the minimum charge.

The Post Office would probably react to further denting of its monopoly by reciprocal demands for it to be given greater freedom, particularly in its counters operation. At present, it is restricted to handling the business of government agencies, but it would like to be able to start dealing in a wider range of business over its counters, such as financial services, theatre and travel tickets.

Whether any of these initiatives is carried out, or whether the idea of privatising the heart of the Post Office ever returns to the political agenda, will probably depend ultimately on how well Sir Bryan Nicholson handles the legacy handed to him by Sir Ron Dearing.

David Thomas

West Germany's privatisation record is distinctly patchy

Impediments to rapid progress

FOR A COUNTRY often held up as a paragon of the free market economy, West Germany's record on privatisation has been distinctly patchy. Even Chancellor Helmut Kohl's right-of-centre Government, which first came to power in 1983 on a ticket of asset sales and less state involvement in economic life, has only partially been able to meet its election commitment.

Sometimes the obstacle has been infighting within the governing coalition itself. Lufthansa, Germany's national airline, is a case in point. The squabbling and manoeuvring over its future has often diverted attention away from more successful areas of the Government's privatisation programme.

The problem with Lufthansa, which is 80 per cent state-owned, turns on the opposition of Mr Franz-Josef Strauss, the Minister-President of Bavaria, to a full-scale disposal.

Quite why Mr Strauss is so against letting the airline fly off into private hands has never adequately been explained. Some have suggested his opposition stems from his role on the board of Messerschmitt-Boelkow-Blohm, Germany's leading aerospace group which, through its subsidiary, Deutsche Airbus, is the country's partner in the European Airbus consortium.

Mr Strauss, who is chairman of the Deutsche Airbus supervisory board and is also a director of Lufthansa, wants the airline to stay public to ensure it buys the right sort of aircraft, some say.

The announcement in May that the Government intended to dilute its Lufthansa stake by not taking part in the airline's planned DM810m rights issue provided another example of the difficulties that can arise when privatisation becomes a political hot potato. The move would have lowered the state's Lufthansa holding to about 75 per cent.

Moreover, should the Government also decline to take up its portion of the airline's second planned capital increase, which is due within five years, the state share would decline further, though it would still be 50 per cent.

Barely six weeks after the planned rights issue was announced, Bayerische Landesbank, the big Bavarian bank which is half-owned by the state government of Bavaria and half by the state's savings banks, said it would take up the Federal Government's rights instead. Many pundits saw Mr Strauss's hand behind the decision.

The bank's move caused political turbulence in Bonn between the pro-privatisation liberal Free Democratic Party and Mr Strauss's Christian Social Union. And, with a strategic 5 per cent stake in Lufthansa in Bavarian hands, further privatisation of the airline may be more difficult.

Lufthansa apart, German privatisation has made some headway this year, though sales have hardly been on the scale of those in the UK or even France in recent months. The flotations have not been the popular events they have become in some other countries, partly because German investors tend not to buy shares, but fixed interest securities or managed funds instead.

Nevertheless, according to Mr Gerhard Stoltenberg, the Finance Minister, the Government has reduced or eliminated altogether major stakes in over 50 companies since 1983.

But most early privatisations were relatively small. Selling the first 13.7 tranche of the state's stake in Veba, the energy and chemicals conglomerate, in January 1984, was one of the biggest deals, raising some DM800m.

In summer 1986 came DM745m from the sale of 40 per cent in VIAG, the aluminium and chemicals group, followed in October with DM163m from the disposal of 45 per cent of Industrie Verwaltungs Gesellschaft (IVG), a rag-bag of state-owned transport and property interests.

Experience has made the Government bolder. In March this year, it disposed of its remaining 25.6 per cent stake in Veba, which netted some DM2.5bn in the largest-ever sale on the German stock exchange.

The figure might have been higher had the market not just been depressed by the news that Volkswagen, Europe's biggest car producer, had been the subject of a DM473m foreign exchange fraud. Not only did the VW scandal cast a cloud over German shares in general, but an angry Mr Stoltenberg was forced to announce that the sale of the Government's 16 per cent holding in the group, worth about DM1.6bn, which had also been scheduled for this year, would be postponed.

Putting off the VW sale until next year will not hurt the Exchequer, according to the Federal Finance Ministry, as its forecasts have been made on the very conservative estimate of raising DM3.3bn from privatisations this budgetary year.

Apart from VW, the Government has a number of other sell-offs lined up for 1988. First in the queue is selling half of Deutsche Siedlungs-und Landesrenten Bank (DSL Bank). The bank's special legal status means its privatisation will be more complicated than most, requiring legislation. A holding company will be created, whose only asset will be DSL Bank itself. Just under half the shares in the holding company will be offered to the public. Though no firm figures are available, the sale could raised arouynd DM400m.

Created many years ago to help with agricultural restructuring, DSL Bank became best known after 1945 for its work in assisting German refugees from the occupied eastern territories to resettle in the West. The Bonn-based institution is now a universal bank in all but name and recently it opened a securities trading operation in Frankfurt.

Deutsche Pfandbriefanstalt, based in Wiesbaden, is the second financial institution the Government intends to privatise next year. It is more specialised than DSL, concentrating on housing finance.

Way over the horizon lies the sale of the Government's stake in Salzgitter, the once-troubled steel group, which is the state's largest single majority holding. Meanwhile, selling the Bundespost, West Germany's posts and telecommunications authority, is so far off as to be almost invisible; though a special Government committee is said to have recommended splitting posts and telecommunications as a tentative first step.

Haig Simonian

UK Oil and gas

Ineptitudes and accomplishments

WHEN THE last tranche of BP has been sold later this month, the Government will have rid itself of all of its oil and gas assets. The private sector will have gained two of its largest companies, BP and British Gas, and two middling-sized ones, Enterprise Oil and Britoil, while the Exchequer will be richer to the tune of £18bn.

Privatising oil and gas has been by far the most important part of the Government's programme of asset sales to date, raising well over half its total privatisation receipts. However, the sale of the four companies - achieved in seven stages - has been achieved with wildly varying degrees of success. Indeed, the seven have provided examples of both the most accomplished and most inept privatisation exercises on record.

Looking at the progress made since the sale of the first part of BP in 1977, one may conclude that the Government has got better at selling oil and gas assets in the past decade. The most unhappy sales, the first lump of Britoil and the flotation of Enterprise Oil, were carried out fairly early on in the privatisation programme, whereas more successful ones, including the sale of British Gas, were more recent.

However, it is perhaps no coincidence that of all the companies to be sold, Britoil and Enterprise presented the most serious problems. There is something intrinsically more difficult about selling oil companies than other businesses, as the pricing of the shares can be thrown off course by even a modest swing in the oil price. The independent oil companies, which make all their money from the production of oil, are heavily exposed to any movement in the oil price.

That is not to excuse the Government for the mess it made of the first sales of the two North Sea oil companies. The share price for the first Britoil sale was simply set too high. This was particularly inexcusable as the sale was made by tender, which puts the onus of selecting the price onto the market. In the event, only a quarter of the issue was taken up at the minimum price (something that in these days of privatisation hype seems inconceivable). The shares opened at a 20 per cent discount, and it was more than two years before they recovered to their issue price.

The sale of Enterprise was no better. Despite having an extra two years of privatisation experience, the Government fell into the same trap of opting for the sale by tender route, and pitched the starting price too high. Two-thirds of Enterprise shares were left with the underwriters, with the remainder allocated between just 13,000 applicants - fewer than in any other major privatisation.

Another embarrassment surrounding the Enterprise flotation was the interest it aroused from RTZ. After applying for half of the issue, it was told that it could have only 10 per cent. This clumsy rewriting of the rules by the Government perhaps marked the low point of the privatisation programme so far. Not only were the Opposition and the City furious, but the decision was immediately made to look ridiculous, as RTZ, unrepentant, at once swooped on the shares in the market, lifting its stake to 29.9 per cent.

The lessons of Britoil and Enterprise have not gone unlearnt. Nearly all privatisations post-Enterprise have expressly stated that no one shareholder will be awarded more than a certain percentage - usually 15 per cent - of the company. Moreover, in the more recent sales the Government has shunned straight-forward tender offers (although it has started to use much more sophisticated partial tenders in some of the latest offerings).

Other improvements in the method of sale have been instituted since Enterprise. The most important has been the drive to attract the private investor. By getting Sid and Co to invest in newly privatised companies, the Government has successfully introduced the notion of scarcity into its issues - quite an achievement given that both British Gas and BP were at the time the largest equity issues seen on the London market.

While the sale of the oil independents was nothing for the Government's advisers to be proud of, last year's sale of British Gas was by its own lights a great success. The issue was comfortably oversubscribed with a record 4.5m investors applying for shares, and the 20 per cent rise in the share price on the first day was not so high as to suggest that the Government appeared to be giving British Gas shares away.

Indeed, the only faults that were found with the sale in a post-mortem carried out by the National Audit Office, were that the Government was unduly cautious in getting the whole issue underwritten, and that the £40m spent on the controversial "Tell Sid" advertising campaign was needlessly high.

Heeding such criticisms the Government has said that the "Now for the Big One" hype that is launching the BP sale is not so costly.

But while the Government gets fairly high marks for the handling of the British Gas sale itself, the same cannot be said for its legislation which paved the way for the passage of the monopoly into the private sector.

It is far from clear whether the interests of the consumer were best served by selling the company in one lump, rather than splitting it up. Moreover, the fact that the newly privatised company has already got into a major row with its regulator over the setting of domestic gas prices does not bode well for the consumer.

Apart from creating a nation of small shareholders, privatisation is also meant to make the companies themselves function more efficiently. But only in the case of Britoil can it be argued that privatisation has made any real difference to efficiency among oil and gas companies. When the company was sold in 1982 it still behaved like a government department, overstaffed and bureaucratic. Although Britoil is now leaner and more efficient, the change was arguably caused more by the fall in the oil price than by any change in ownership.

BP has also made great strides in efficency over the past few years. However, as these changes were due to new management brought in about five years after the Government had started to sell its holding, it would be far-fetched to attribute the improvement solely to the effects of privatisation.

Lucy Kellaway

Compagnie Générale d'Électricité CGE: shares back on Paris stock exchange

The privatization of CGE which was accomplished last spring has been a real success.

In France 2,255,000 investors bought shares and their demand was 7.5 times the number they were offered.

Outside of France, the demand was 15 times the number of shares offered to foreign investors.

In addition, more than 100,000 CGE employees placed orders for 3 times the number of shares they were offered.

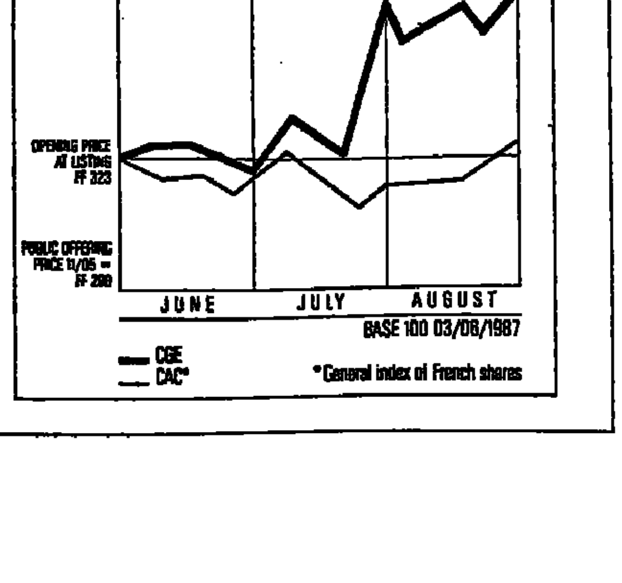
After a 5 years absence, CGE shares, which had been listed since 1898, returned to the Paris Stock Exchange on June 3, 1987.

CGE is strengthening its presence on financial markets. Its shares should soon be listed in 7 cities outside France: Amsterdam, Antwerp, Basel, Brussels, Frankfurt, Geneva, Zurich.

GROUPE CGE

The spirit of conquest

The CGE share price compared to the CAC* index since June 87.



*General index of French shares

France plans to privatise 66 companies

Halfway along the path

IN ITS size and pace, the French privatisation programme has set new markers. When the right-wing Government of Mr Jacques Chirac came to power last year, it put through legislation enabling it to move 66 companies worth an estimated FFr300bn (£30bn) out of the state sector in five years.

Today, 10 months on from opening the campaign with the flotation of the glass and pipes group St Gobain, the Government has succeeded in privatising 23 companies with a total market capitalisation of around FFr100bn.

With the privatisations of Compagnie Financiere de Suez, the investment banking group whose offer for sale begins on October 5, Matra, the electronics group, soon afterwards, and perhaps an insurance company before the end of the year, the Government will have moved nearly halfway towards its objective before the presidential elections of May 1988 call at least a temporary halt.

The programme has so far included 10 major stock market flotations, four of them over FFr5bn, as well as some buy-outs. It has already increased the size of the Paris equity market by around 10 per cent and has quadrupled the number of direct shareholders in France.

Indeed, the 3.8m subscribers for the flotation of Paribas, the investment banking group which was second to be privatised, or the 1m who subscribed for shares in the tiny Banque du Batiment et des Travaux Publics, have posed enormous logistical problems both to the companies themselves and to the banks and post offices which handled the share purchases and which must now run their customers' share accounts.

The new breed of shareholders has, however, proved to be loyal. Paribas still reckons to have 3.1m of its original shareholders on the register, and scored a 65 per cent take-up rate with a rights issue only six months after its flotation.

The pay-off for short-term investors has not been excessive. Although premiums of up to 80 per cent, in the case of the Alsatian bank Sogenal, have been recorded on the first day of trading, the general weakening of the Paris market has brought prices down again. Only St Gobain, Credit Commercial de France and Banque Industrielle et Mobiliere Privee are still showing sizeable premia to their offer prices, while for five of the 10 groups floated publicly the premium is now less than 10 per cent.

This relatively modest gain has dismantled some of the criticisms originally aimed at the Government. If the Finance Ministry appears to have underpriced St Gobain to ensure a success for the first privatisation, the accusation of selling off the family silver at knock-down prices appears a little far-fetched for the other companies floated so far.

The Opposition Socialist Party has, in fact, failed to score many points in its periodic attacks mounted by Mr Pierre Beregovoy, the former Finance Minister, and Mr Jack Lang, the ex-Culture Minister. The 6m French citizens who, the Government claims, now own shares in privatised companies, haveproved unreceptive to their criticisms.

If many of them find Mr Edouard Balladur, the Finance Minister, unconvincing in his denials that he has placed his political allies securely in the "hard core" of investors designed to protect the newly privatised companies from raiders, they do not appear to find this use of his patronage in the least shocking or unusual.

The only hiccup in the privatisation programme has been caused by the insurance companies. One of the three main state companies, Assurances Generales de France, was originally announced by Mr Balladur as one of the first three companies to go under the hammer.But while St Gobain and Paribas were duly floated, AGF had to be withdrawn because of the complications of its corporate structure and the thorny problem of the division of its accumulated but unrealised capital gains between shareholders and policy-holders.

Nevertheless, Mr Balladur recently announced that he still intended to privatise either AGF or its larger rival, Union des Assurances de Paris, before the end of the year.

Few observers believe that a Socialist Government would seek to reverse the privatisation programme if it were to return to power in the wake of next May's elections. Indeed, it would probably have to continue the privatisations, because of the difficulty of leaving one bank or insurance company in the state sector while its great rival had already been denationalised.

"In my opinion, this programme will not be called into question if the Socialists come back into power. There may be differences on how to carry it out, whether, for instance, to privatise 100 per cent of a company, but I do not expect a major political debate on the question," says Mr Daniel Lebegue, the former head of the French Treasury, appointed under the last Socialist Government but retained in office by Mr Balladur, who has just moved to Banque Nationale de Paris - one of the leading candidates for early privatisation.

The readiness of the French financial markets to accept the volume of privatisation paper offered to them - one of the early fears of the architects of the programme - is unlikely to prove much of a brake to future sales of state companies.

"No major crowding out of private paper by the securities of privatised companies has really been apparent. New share issues in the first quarter rose by 10 per cent compared with the same period of 1986, whereas new bond investments are 19 per cent down over one year - a movement which is in line with the pressure on long-term interest rates," economists at BanqueParibas comment.

The proceeds of the privatisations - FFr52bn net so far this year - have helped in some degree to ease any possible crowding out, since they are to be divided between repayment of government debt, thus reducing pressure in the bond market, and capital increases for companies remaining in the state sector, which *might* otherwise have had to appeal directly to the markets.

The main victims have been non-marketable monetary savings, especially savings bank accounts with their state-controlled interest rates. A year ago they represented over half all new investments, but this year their share has dwindled to a fifth. Privatisation may therefore be indirectly responsible for a further reduction in state intervention in the economy by reducing the weight of these government-controlled financial institutions.

Mr Balladur may now be a victim of his own success. His greatest problem is no longer that of pushing through the privatisations without disasters, but of reconciling the conflicting claims of company chairmen who want to be next on the list.

He has to arbitrate between Mr Jean-Maxime Leveque, a militant opponent of nationalisation when he was president of Credit Commercial de France in 1981, who is no less passionate today in his desire for privatisation of the Credit Lyonnais which he now chairs, and Mr Rene Thomas of the BNP, a latter convert to the merits of privatisation.

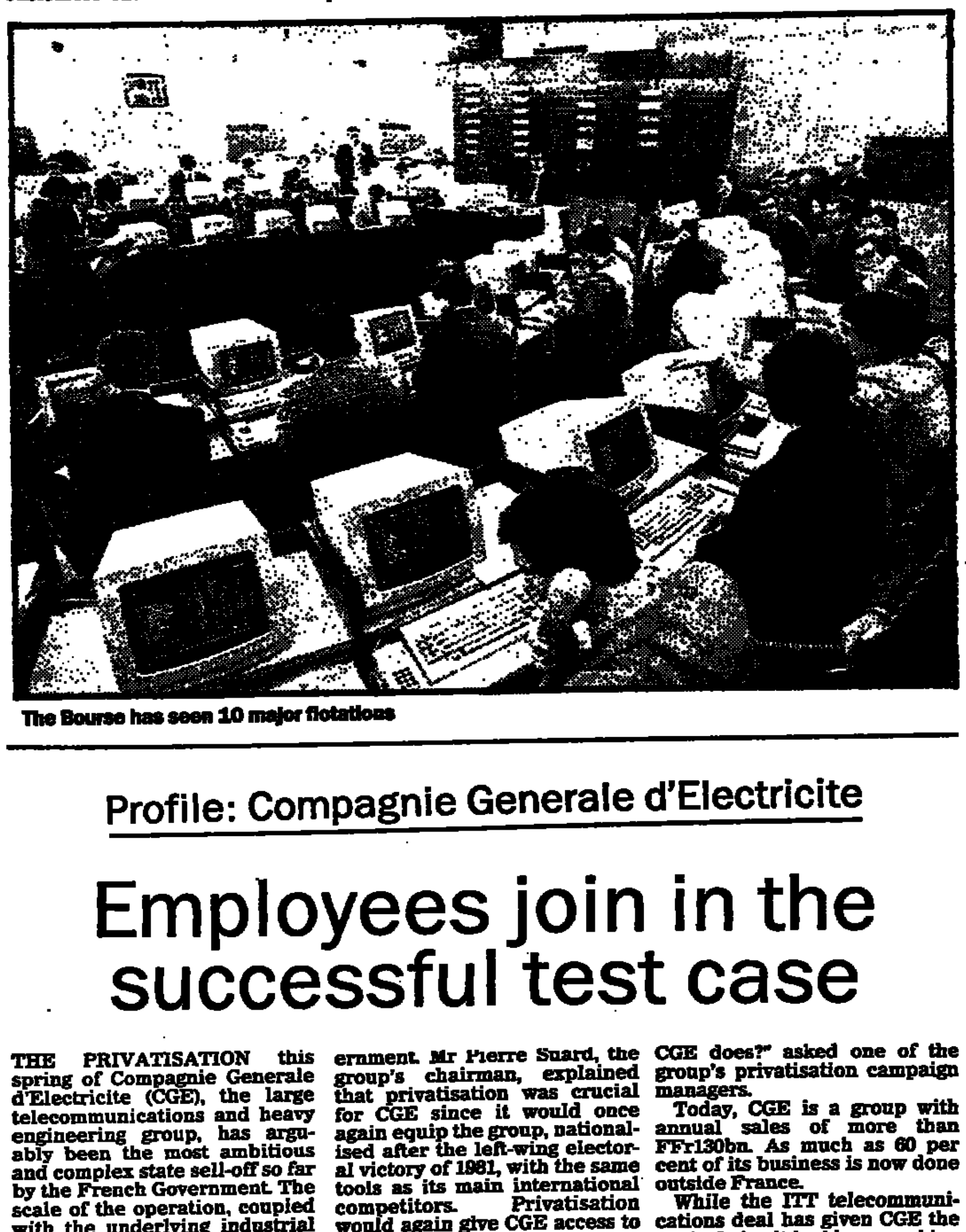
He must also face the claims of Mr Jean-Rene Fourtou, of the chemicals group Rhone Poulenc, who has reached the legal limit in issuing non-voting certificates of investment and now needs to move to the private sector where he can raised new equity funding to pay for his acquisitions.

Although the French privatisation programme has been substantial and swift, it began from the base of the largest state sector in any non-Communist country. The Government has privatised only companies in the competitive sector and has not been in the least inclined to open monopoly or public service companies to the private sector.

Even Renault, the state car group, is not to be privatised, Mr Alain Madelin, the Industry Minister, has assured trade unions, although its corporate status is to be adjusted to bring it into line with other state sector companies.

As for telecommunications or railways, proponents of privatisation will have to wait for some time yet.

George Graham



The Bourse has seen 10 major flotations

Profile: Mr Edouard Balladur

How the paradox unwound

IF THERE are writers who have made themselves specialists in the theory of privatisation, and bankers who have become acknowledged experts in its practicalities, in France, at least, both the broad strategy and the smallest details are decided on by one man: Mr Edouard Balladur, Minister for the Economy, Finance and Privatisation.

Already the *de facto* deputy prime minister, Mr Balladur has won a still more powerful position through his control over the privatisation programme – which has at times seemed the only success of Mr Jacques Chirac's Government as it stumbled from student unrest to crippling public sector strikes to upheaval over its plans to change France's nationality law.

Aloof and virtually unknown to French voters when he became a minister in March 1986, Mr Balladur has gradually unwound in office. He now speaks more in public, and even makes jokes at his meetings with the press, but he remains a reserved personality and guards closely the privacy of his family life.

Mr Balladur can seem something of a paradox. Viewed from one angle, he is the embodiment of a three-centuries-old French tradition of "hauts fonctionnaires," the technocrat exercising the state's paternalistic control over its citizens. Yet he has presided over a concerted dismantling of the powers of central government, not just in the privatisation programme but through the widespread deregulation of the French economic system.

Now 58, Mr Balladur had an early wish to become a doctor, but was forced by health problems to choose something "less tiring." This turned out to be a law degree, followed by the Ecole Nationale d'Administration, the training ground of France's administrative elite.

Graduating from there in 1957, he joined the Conseil d'Etat, one of the grand civil service corps which has the function of overseeing and reviewing legislation and serves as an appeal court *for* administrative law.

He then moved to the private office of Mr Georges Pompidou, the Prime Minister. He followed Mr Pompidou to the Elysee Palace in 1969, and as Secretary-General there is widely believed to have held the Government together during the President's long illness.

The Pompidou heritage has remained a more important strand of his thinking than the Gaullism to which his RPR party claims to nail its colours.

On Mr Pompidou's death in 1974, the future Minister of the Economy moved to the private sector. As chairman of two subsidiaries of the telecommunications and electrical engineering group Compagnie Generale d'Electricite, which he privatised earlier this year, he undertook both the implementation of decentralised management techniques in a high technology company and the root-and-branch restructuring of a traditional industry in crisis.

At the time, Mr Balladur felt that he had finished with politics, but he did not see himself as one of France's new entrepreneurs, as another Jean-Luc Lagardere, the permanently tanned chairman of Matra and Hachette, or as Bernard Tapie, the flamboyant rescuer of bankrupt companies and patron of football and cycling teams.

On his return to the political arena, Mr Balladur has carefully preserved the appearance of being above the fray, and certainly above the trading of insults in which politicians are expected to indulge.

He has, for example, adopted an elegant disdain for the gibes by members of his own party about the age of President Francois Mitterrand. "I will not participate in any debate on the person, the character, the present or the future of the President until he is officially a candidate for re-election, and even then there are subjects that I will not discuss. I try to keep myself outside that sort of argument and debate," he said in a recent radio interview.

This apolitical image does not prevent him from being a firm partisan of Prime Minister Chirac, and in some ways the architect of Mr Chirac's policies. It was Mr Balladur, for instance, who sketched out the policy of cohabitation, when the Right won a parliamentary majority in March 1986 and faced the choice of continuing to work with the Socialist Mr Mitterrand until the end of his presidential term in 1988 or of forcing a crisis between the two arms of government.

The role is an important one, for the often mercurial Prime Minister has sometimes needed a calmer man as his deputy.

In his conduct of the privatisation programme, Mr Balladur has exercised direct personal control over even the smallest details. He has insisted on watching in advance the advertising campaigns of each company that is to be privatised, and is even rumoured to have made Societe Generale, the largest to be floated so far, tear up its publicity plans and start again.

Mr Balladur now admits that he is not an expert in the advertising field. He disliked the campaign drawn up by Paribas, the investment banking group, finding it "too bourgeois," yet it turned out to be the outstanding success of the privatisation programme to date.

His personal control is even more evident in the choice of the "hard core" of major shareholders which is constructed ahead of the stock exchange flotation in order to protect the newly privatised companies from possible raiders.

Mr Balladur has come in for criticism for diligently placing a network of RPR supporters - such as Mr Jerome Monod of Lyonnaise des Eaux or Mr Jean-Marc Vernes of Beghin-Say - in control of virtually all the companies privatised so far, but defends himself against the charge.

"In the 'hard cores' there are 52 companies or groups represented. Do you think I have as many as 52 friends? That is a great deal. It is I who carry out this policy, and I take the responsibility for it, including the moral responsibility," he says.

His keenness to exercise personal control over the details of policy does not stop at privatisation. Junior ministers in his Finance Ministry have often found they have little freedom of action over their own portfolios, while other ministries such as Telecommunications, Social Security and Industry have felt to the full the weight of Mr Balladur's views.

Some observers have suggested that the recent resignation of Mr Jacques Maisonrouge, the former IBM executive appointed last year as Director-General of the Industry Ministry, followed his discovery that his ministry was largely powerless against the spreading tentacles of the Finance Minister.

Resentment of the apparent empire-building of the minister has won him some enemies, and has earnt him a wickedly funny series of attacks in the satirical *Canard Enchaine*, which almost weekly publishes new anecdotes of Mr Balladur's alleged fondness for pomp and circumstance – from the silver buckles on the shoes of the Finance Ministry ushers to his refusal to give up the ministry's gilded but cramped offices in a wing of the Louvre.

The accusations, especially the charge that he was blocking the development of the Louvre into the greatest museum in the world, have often hurt.

In fact, far from holding onto office – many had expected him to become Prime Minister if Mr Chirac were to win next May's presidential elections – Mr Balladur says he plans to step down next year, whatever happens, and leave the Second Empire splendours of the Louvre.

"I have spent many years of my life right up to last year outside government and public pomp. From next year I shall rediscover the freedom of private life. This type of thing is not at all essential to me."

George Graham

Profile: Compagnie Generale d'Electricite

Employees join in the successful test case

THE PRIVATISATION this spring of Compagnie Generale d'Electricite (CGE), the large telecommunications and heavy engineering group, has arguably been the most ambitious and complex state sell-off so far by the French Government. The scale of the operation, coupled with the underlying industrial and economic challenges at stake, made the CGE flotation a test case for the Government's denationalisation programme.

In some respects, the Government would probably have preferred to wait before undertaking the CGE privatisation, especially since there were a number of other groups far easier to float than the giant telecommunications and heavy engineering group. But its hand was forced by the landmark telecommunications deal which CGE had just negotiated with ITT when the Government launched its privatisation plans.

The deal involved the merger of CGE's telecommunications assets with those of ITT in a joint venture controlled by the French group. Virtually overnight, the French company, then nationalised, found itself at the head of the world's second largest telecommunications group after AT&T.

At the same time CGE was looking for ways to help absorb its new venture, strengthen its overall financial position and back up its ambitions not only in the telecommunications sector but also in heavy engineering. Through its Alsthom subsidiary, CGE is deeply implicated in the power turbine business, in the railway equipment sector, in shipbuilding and other heavy engineering fields. It is also involved, through its 40 per cent stake in Framatome, in nuclear power plant construction.

CGE therefore argued vigorously for an early privatisation which would also provide a major new capital injection for the group and not only to the Government. Mr Pierre Suard, the group's chairman, explained that privatisation was crucial for CGE since it would once again equip the group, nationalised after the left-wing electoral victory of 1981, with the same tools as its main international competitors. Privatisation would again give CGE access to the financial markets and reduce significantly the impact of government intervention.

The Government thus agreed to link the CGE flotation with a record new share issue for the group to strengthen its balance sheet and help it absorb its takeover of ITT's telecommunications assets. The new issue combined with the flotation provided CGE with FFr8.3bn in fresh equity funds. Moreover, FFr6.1bn worth of non-voting shares which nationalised companies in France have been able to issue have also been converted on a one-for-10 basis to new voting shares to strengthen further CGE's balance sheet.

Despite the apprehensions over the size and risks of the CGE flotation, the Government was very satisfied with the outcome of the sell-off. The issue was successful both in France and abroad where the foreign portion was 15 times oversubscribed. By the end of the operation, CGE found itself with 2.24m individual shareholders. Moreover, more than 90,000 employees or former employees applied for shares under the preferential terms offered to staff of nationalised groups to encourage them to subscribe in privatisation of their enterprises.

As part of its privatisation programme, CGE mounted a major public relations and advertising campaign to market its paper. Officials said the campaign was all the more important because the group, despite its size and influence in France, was relatively little known by the public at large. "Everybody knows what Renault does, but how many people know what CGE does?" asked one of the group's privatisation campaign managers.

Today, CGE is a group with annual sales of more than FFr130bn. As much as 60 per cent of its business is now done outside France.

While the ITT telecommunications deal has given CGE the critical size it had been seeking to compete internationally, questions have regularly been raised on whether the French group will successfully absorb the ITT assets and its technology, especially the System 12 digital telephone switching system. In its other sectors, especially in shipbuilding and nuclear power, the future is uncertain, to say the least. "Privatisation is an important chapter in the development of the group. But now we will have to see if CGE's management can meet the industrial challenges of the next three to five years," says a French analyst.

At the same time, there have been increasing rumblings of discontent among the new shareholders of the recently privatised groups who claim that many of them are reverting to their secretive pre-nationalisation ways and not keeping them properly informed of major developments.

For example, barely two months after its privatisation, CGE took the French financial markets by total surprise when it acquired a controlling stake in Sir James Goldsmith's main French company, Generale Occidentale. CGE subsequently sought to explain that the move was part of its efforts to diversify in the services sector. But the deal has inevitably raised many political eyebrows. The Generale Occidentale affair has now brought to the fore the issue of transparency of management in France, especially in the big privatised industrial and banking groups with their new cohorts of small French shareholders.

Paul Betts

Latin America

Debt crisis prompts change of course

PRIVATISATION HAS been accepted as a practical idea in Latin America largely as a consequence of the debt crisis. Since 1982 Latin American governments have been obliged to be far more conscious of cost cuts and efficiency in the public sector in order to cope with the huge burden of debt service. The only real exception to the debt crisis, concentrating governments' minds on slimming down the state sector, has been Chile.

Here the military government of General Agusto Pinochet has openly embraced the free market views of the Chicago School, and well before the debt crisis. The Pinochet Government wants to reduce the state's role to the minimum and regards the private sector as the principal motor of future growth.

To date in Latin America, several broad motives have been behind privatisation. These could be summarised as follows:- lessening the role of the state; returning to the private sector companies the state was forced to acquire or which were nationalised by previous governments; widening the base of share ownership; improving management; raising extra resources for the Treasury; and generating domestic and international business confidence by giving a greater role to private enterprise.

Perhaps the three most illustrative countries which have embarked upon a programme of privatisation are Argentina, Chile and Mexico. However Brazil, too, of late has begun to consider seriously the concept. Of these only Chile is privatising for a mix of all the above motives.

In Chile General Pinochet has been anxious to alter the large-scale nationalisation that occurred just before and during the Allende Government in the early 1970s. The programme was begun in 1974 but it suffered a serious setback as a result of Chile's economic collapse in the early 1980s when the Government was obliged to step in to support the country's three main holding companies and several of the large banks.

Only during the last two years has the programme regained momentum and at the same time been refined. However it remains inspired by the same ideological consideration - a desire to move Chile irrevocably away from the socialist philosophy of the Allende era and to break the power of organised labour.

In the case of Mexico, the de la Madrid Government has been primarily concerned to restore business confidence and remedy the negative consequences of the hasty 1982 bank nationalisations carried out by the previous Lopez Portillo administration. Latterly, it has also begun to regard privatisation as an important element in the restructuring of the economy, creating greater competition and removing the dead hand of state enterprise and private sector cartels.

The Alfonsin Government in Argentina, on the other hand, has initiated privatisation to prune the large corporatist edifice created by the populist policies of the late General Juan Peron in the early 1950s (which the ensuing military government padded out even further). The same could be said of the motives behind the Sarney Government in Brazil's tentative efforts in the direction of privatisation.

The assets selected for privatisation in Latin American countries display no overall pattern. Rather, they reflect the political reality of what is feasible to hive off in economies with strong vested interests in both the state and private sectors.

For instance, President de la Madrid acted slowly in reprivatising the banks in Mexico simply because he could not be seen to be overturning too quickly his predecessor's decision. He began in 1984 by selling off the banks' holdings in 339 companies. The process of selling off minority stakes in the banks themselves started only this year. The Mexican Government recently pledged to reduce its holdings to 300 strategic companies by 1988 - the end of the de la Madrid term and a quarter of the number he inherited. Apart from banks (in 19 of which one third of the government stake has already been sold off), the list for privatisation ranges from soft drinks companies to tourism and parts of the transport sector, including Mexicana, the national airline. However oil, controlled by Pemex, is specifically excluded.

In Argentina the first major nationalisation was approved this month with the sale of the domestic airline, Austral. Plans are also advanced to sell off peripheral parts of the huge railways organisation and some of the service activities of the state oil company, YPF.

Chile has opted for a far broader divestiture. The Government is in the process of gradual sales of shares in utilities (Endesa, electricity generation), telecommunications (Telex and CTC, as well as steel (CAP) and industrial activities like nitrates (Soquimich).

However the copper mining concern, Codelco, is likely to remain in state hands but with the field left open for domestic and international companies to develop their own mines.

In Brazil the Sarney Government is mainly concerned to sell off the large number of companies which fell under state control during the 1960s and 1970s under military governments. Of the 415 companies under state control, it is expected that 65 will have been sold off by the end of this year, including such peripheral activities as the administration of cinemas.

Only Chile lays emphasis on privatisation as a useful source of extra revenue. By the end of this year the Chilean Government will have raised over US$500m from the sale of shares in 23 companies since 1985.

Initially the preferred mechanism for privatisation was to invite interested groups of investors to make offers, but in the case of Chile more sophisticated mechanisms have been evolved and shares are openly offered on the stock market.

However, launching privatisation programmes through the stock market raises serious problems for the governments. They need to make the shares attractive, while avoiding the charge of selling assets too cheaply. In Mexico the country's three leading banks - Bancomer, Banamex and Serfin - this year launched new stock equivalent to 34 per cent of their paid-in capital. The shares quickly doubled and in one instance trebled their launch price, and this led to a major political outcry at an underpriced launch.

By launching privatisation through the stock exchanges the governments also hope to stimulate the growth of local capital markets and encourage debt equity swaps especially with foreign banks. Local pension funds have also begun to play a bigger role and indeed, in Chile, are relied upon to be major purchasers.

Robert Graham

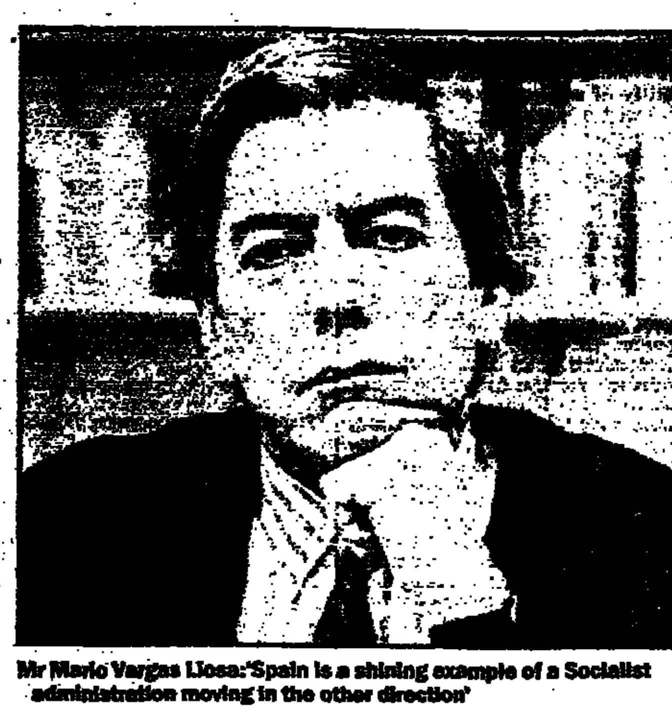
David White explains the paradoxes of Spain's state disposals

The Socialist sell-off

EUROPEAN WINDS no longer stop at the Pyrenees, and the wind of privatisation is no exception - but in Spain it blows on different terrain.

The whole question of state versus private ownership is distorted by a historical and political context that from a British or French viewpoint seems upside-down. The nationalised sector in Spain was largely the creation of right-wing dictatorships, and the moves towards privatisation have been started under the first fully Socialist Government the country has ever had.

The extent of de-nationalisation - in which some companies have been sold to multinationals, others hived off to private Spanish interests, and others had their shares floated on the stock market - was artificially increased by the Government's disposal of the Rumasa group, seized in 1983 soon after it came to power. This is a case on its own, since the controversial expropriation was decided hastily, in a bid to avert a financial crash and with the express intention of returning the group's companies to private hands.



Mr Mario Vargas Llosa: 'Spain is a shining example of a Socialist administration moving in the other direction'

Although many were incredulous at the time, all the main Rumasa holdings, consisting of 20 banks and some 60 companies, ranging from sherry to shipping, have now been sold back to private shareholders, both Spanish and foreign. Nationalisation and de-nationalisation cancel out in this respect.

In the last two years the state has begun shedding other interests, most notably the Seat car company, sold last year to Volkswagen. But privatisation still has a relatively timid place in Spain's political vocabulary.

The Peruvian writer Mr Mario Vargas Llosa, intervening recently in Peru's bank nationalisation debate, cited Spain as a shining example of a Socialist administration moving in the other direction. This prompted a cautious response from Mr Carlos Solchaga, the Spanish Economy Minister, anxious to point out that the Government had not been won over by Thatcherite doctrine. Privatisation was, rather, a result of pragmatic policies and a case-by-case approach.

"It is not an ideological backdown," he said, "because we do not think like the (British) Conservative Party that an activity is inefficient by virtue of being in state hands, and that the ideal market is one with no kind of regulation. We are not so drastic, but we do question - along with other European social democrats - whether the old path of nationalisation and state ownership really leads to a more just and progressive society."

Warned off by the lessons it had learnt from the impact of Socialist nationalisations in France, Spain's Socialist Party came in with only one nationalisation on its programme - the high-tension power grid, now run by a mixed state-private company.

The trade union Left is still sensitive to the idea of protecting state interests, and the first sales of state hotel and travel businesses were contested within the socialist camp. But the Government was able to conclude the Seat deal with barely a whimper. Seat, Spain's national car company, set up before French and US producers came in, had in fact never been really Spanish. It produced Fiat models and was to have been taken over by Fiat before the Italian partner backed out and VW stepped in.

The Franco regime, with a centralised state sector inspired by the Italian model but mostly just filling the gaps left by private interests, bequeathed an odd ownership structure. Activities that have customarily been state-run in much of Europe are private, such as the bulk of the electricity industry and the telephone company, Telefonica.

The state industrial sector is made up of Instituto Nacional de Industria (INI), a holding unit grouping some 60 companies, not counting minority participations; Instituto Nacional de Hidrocarburos, (INH) a splinter body covering oil and gas interests; and the Patrimonio del Estado (state property department), part of the Finance Ministry, which has the main holding in Telefonica and controls numerous other companies such as the tobacco concern Tabacalera.

INI has so far provided the main focus of privatisation, starting in 1985. The SKF Espanola ball-bearings unit was sold to SKF of Sweden, which previously had only a tiny holding. The first stage of the Seat takeover was completed last summer, and the Enasa-Pegaso commercial vehicle company would have been sold as well if either General Motors or Toyota had taken the bait. Purolator, a filter-maker previously belonging to Seat, was sold to its West German namesake. In June, a loss-making capital goods company which INI was desperate to get rid of, San Carlos, was sold to a Danish group. Half a dozen other INI companies have been bought by private Spanish interests.

At the same time it was starting these sales, INI was hatching plans for share offerings in subsidiary companies in order to break the barrier between state and private sectors. The only one to date was made last October when INI placed 38 per cent of Gas y Electricidad (Gesa), an energy company operating in the Balearic Islands, on the stock market, reducing its stake from 94 to 56 per cent.

The offering, heavily oversubscribed, brought in 54,000 new shareholders. After this successful pilot project, other companies are expected to follow, including INI's biggest profit-maker, the electricity company Endesa. INI can in this way tap a big new source of income to offset its burden of losses in heavy industry.

INH, which is in the process of transforming its oil interests into a new-style group under the name of Repsol, plans to release part of the capital of the group itself by bringing in the Mexican oil company Pemex *as a shareholder and by floating Repsol shares.*

The Patrimonio del Estado, for its part, has sold a textile company, Gossypium, and put other black sheep in the same field on the market. These include the Malaga company Intelhorce, which was once part of INI, was hived off in 1972, and had to be re-nationalised eight years later. Other companies such as the Trasmediterranea shipping company are expected to float shares.

Telefonica, which although under majority private ownership is effectively in the state orbit, embarked on its own privatisation plans with the flotation early last year of the telephone equipment manufacturer Amper. Telefonica's stake has been reduced from 84 per cent to under 16 per cent. It has also sold its 49 per stake in Intelsa, its switching equipment joint venture with Ericsson, to the Swedish partner. It wants to pull out of some similar joint ventures and has begun selling subsidiaries in areas such as the making of telephone directories.

Despite these changes, belief in the role of nationalised industry is far from being abandoned. Mr Javier Alvarez Vara, who negotiated the sale of Seat before being made chairman of the INI-controlled airframe manufacturer CASA, says it is "logical" that CASA should be in the state sector, although it should be run on profit-making lines. His case is based not only on the particular cyclical problems of the aircraft business but on the Spanish context.

David White

INI chief stays wary of rhetoric

CLAUDIO ARANZADI looks irremediably more like an eternal student or an eager university don - the kind of person who would come to dinner with bicycle clips on - than the head of a major industrial group.

For the past year this 40-year-old economist has been chairman of the state-owned giant of Spanish industry, Instituto Nacional de Industria, with subsidiaries in everything from guns to butter and group sales last year of almost $12bn. His period of tenure has coincided with the first moves to sell shares in state-owned companies on the stock markets, but Mr Aranzadi is less a man with a privatising mission than a realist who sees his job as strengthening a rambling and problem-ridden conglomerate.

With a training first in engineering in his native Bilbao and then in economics at Paris-Sorbonne, Mr Aranzadi owes his rapid ascent not to the Socialist Party machine but to the fact that he came from the same stable as *Mr Carlos Solchaga*, the Economy and Finance Minister. Both men worked in the research department of Banco de Vizcaya, the commercial banking group.

When the Socialists were voted into Government in 1982, Mr Solchaga, who became Minister of Industry, brought in Mr Aranzadi as a senior aide. The future chairman's knowledge of the rambling state holding group, involved in almost every lame-duck industry, dates from that period.

The new administration started by putting in as chairman of INI an independent with a background in the food sector, Mr Enrique Moya. This was partly as a show of wanting to break the old jobs-for-the-boys tradition at INI, and partly because the Socialist Party was short of proven businessmen. Under his chairmanship, previous political appointees were kicked out in favour of "professionals" (but with a fair sprinkling of party members) and a brake was put on the expansion of INI interests.

But as losses continued to mount - revised accounts put them at over Pta200bn in 1983 - the Government concluded that Mr Moya was not the person to handle such a wide-ranging group or tackle job cuts in sectors such as steel and shipbuilding, and that a party technocrat would be better suited to this sensitive task. So in 1984 a young Under-Secretary from the Industry Ministry, Mr Luis Carlos Croissier, was appointed in his place, and Mr Aranzadi went with him as vice-chairman.

Mr Croissier prescribed a slimming cure for INI, shook up the management and oversaw the negotiations to sell the loss-making Seat car company to Volkswagen. When he was made Industry Minister last year, Mr Aranzadi moved in to replace him and continue the job. He has since wrought a further rejuvenation of the INI team.

INI was created by General Franco in 1941, two years after his victory in the civil war. Its idea of centralised state initiative, and its name, were taken from Italy's IRI. In the early years it provided a new impetus for energy, steel and aluminium through new companies, reorganised aircraft manufacture under CASA, developed the truck industry by setting up Enasa on the ruins of what had been Hispano-Suiza, paved the way for today's car industry by founding Seat in 1950, and took over the Iberia airline.

Its subsequent growth, however, came more from the absorption of troubled private sector companies, in which it was usually guided by political criteria. Prime examples are the Asturias coal mines, nationalised as Hunosa in 1967, the Astano shipyard taken over in the early 1970s, Textil Tarazona in 1970, the Altos Hornos del Mediterraneo steel complex in 1978 and the Babcock Wilcox capital goods company in 1980.

These acquisitions have accounted for a large part of INI's losses, which were aggravated when profitable oil interests were split off under a separate holding company in 1981. Losses last year, with the removal of Seat from the figures, dropped to Pta117bn, reduction of Pta12bn for the companies remaining in the group. Iberia moved into profit, but shipbuilding, defence, commercial vehicles, capital goods and steel continued heavily in the red.

The group, which today employs about 170,000 people compared with 220,000 five years ago, accounts for half of Spain's coal output, a quarter of its electricity, most of its aluminium, all of its aircraft, most of its ships, and a large share of its wood pulp. It owns the country's main steel centres and its two regular airlines. Other interests range from fertilisers to uranium, and from *electronics to* handicrafts.

The idea of privatising parts of the INI empire dates back some years - Mr Moya's predecessor thought the group should remain only in "basic" sectors - but divestments did not begin until 1985.

Mr Aranzadi, wary of the "rhetoric" surrounding privatisation in other countries, sees the moves simply as rationalising the group's structure. The important thing, he says, is not whether a company is private or public but that it should be efficient and able to compete.

"We simply don't accept that private enterprise is intrinsically better," he says.

David White

Africa

Big obstacles bar way

AFRICA HAS become a byword for the failure of the state to do much good with the commanding heights of an economy.

African leaders, after winning independence from the European colonial powers in the 1950s, 1960s and 1970s, enthusiastically set about the task of nationalising industry and agriculture and consolidating the power of the state.

Many of those leaders were intellectuals educated in European universities, and critics of *African policies* over the past 25 years should bear in mind the source of the ideas that Africa put into practice. State control of the economy was once fashionable in Europe too, and popular among some of the international lenders who are now accused of having done so much harm to Africa's newly independent nations.

Privatisation, in line with the trend in the West and elsewhere, has now become all the rage in Africa.

Governments, aid agencies and organisations such as the International Monetary Fund and the World Bank are falling over each other in their efforts to sing the praises of private enterprise.

From the Mediterranean to the Cape, from the Atlantic to the Indian Ocean, the talk is of privatisation, but the obstacles are daunting and progress is slow. It is estimated that only about 5 per cent of black Africa's hundreds of parastatals - state-owned companies - have been shut down or sold since 1980.

In countries as different as South Africa and Tanzania, civil services and state enterprises have become important political fiefdoms and a source of "jobs for the boys." In Tanzania alone, the number of parastatals grew from about 50 in the mid-1960s to about 400 in the late 1970s.

Several African governments, left-wing and right-wing, are forging ahead with plans to privatise anything from cement factories to breweries and sisal estates. Usually these plans are part of a larger liberalisation of the economy, encouraged by the IMF and the World Bank and involving the easing of price controls, devaluation of the local currency and a whole range of fiscal and monetary measures.

Ivory Coast has drawn up a list of more than 100 businesses in which it wants to sell its shareholdings. Ghana has decided to divest itself of 30 parastatals. Mozambique has privatised more than 20 industrial plants since 1985. Guinea has shut dozens of state trading firms and is privatising 18 industrial companies. Nigeria, Togo, Zaire, Senegal, Congo - all these and more are implementing or considering privatisation.

The spirit of private enterprise already thrives in Africa's unpromising economic climate, but much of the business activity is carried out illegally and on a small scale by smugglers and black marketeers.

The tools for a tropical version of Thatcherite popular capitalism - stock markets, advertising campaigns and a relatively sophisticated investing public - do not exist in Africa, and herein lies the most serious difficulty facing the privatisation evangelists. Privatisation in Africa is a very different matter from the sale of British Telecom or Rolls-Royce to the citizens of a developed economy.

Organised capital markets function in only a handful of African countries - chiefly in South Africa, Nigeria, Kenya, Zimbabwe, Egypt and Morocco - and most of the markets are relatively small.

Potential buyers of state enterprises are few in number and often politically unacceptable. Rich businessmen are likely to belong to non-African communities discouraged from increasing their hold on the economy - Asians in East Africa and Lebanese in West Africa, for example. In Nigeria, northerners are sometimes suspicious of privatisation because they fear that the Yoruba in the south will strengthen their grip on commerce and industry by buying up state enterprises. In Sierra Leone a single businessman is said to have swept the board following a government denationalisation programme, acquiring extensive trading concessions and a temporary hold over most foreign exchange dealings.

Foreign investors are obvious candidates to buy businesses privatised by the state - some observers say that privatising an African company is the equivalent of handing it over to foreign management - but they too are regarded with suspicion in much of Africa. Antagonism towards colonialism and capitalism is still uppermost in the minds of African leaders, particularly the old guard.

Perhaps this explains why some African countries pay lip-service to the promotion of foreign investment while maintaining policies which actively discourage it.

There is even the possibility that a government will be tempted to renationalise a company after it has been restored to profitability by a private investor.

Many state-owned companies are up for grabs in Africa, but not all of them are attractive propositions. Accounts can be years out of date, and governments, fearful of the effects of unemployment, sometimes want guarantees that jobs will be preserved. *Understandably*, they want to keep the profitable companies and sell the duds. "The good parastatals they want to keep, and the bad ones are very bad," said one Lusaka businessman about the Zambian approach.

Africa's privatisation drive is in some ways a more complex process than those in Britain and other sophisticated economies. The peculiar difficulties of selling large state companies in poor countries mean that the outright purchase of a parastatal by private interests is only one of the ways in which the private sector is being encouraged to increase its share of African economies.

Irrecoverably rundown parastatals or obsolete monopolies such as commodity boards can simply close and leave the market to private businesses. State operations can be leased out to private businesses for, say, 10 years. Foreign creditors can convert debt to equity for a share in an enterprise and investors can take part in a joint venture with the state. Finally, parastatals can be slimmed down and whole economies liberalised - a case of allowing the private sector to emerge from the shadows and function legally, rather than privatisation *per se*.

Plans by Nigeria, the largest market in black Africa, range from full privatisation of parastatals down to the retention of 100 per cent state control plus measures to make companies more competitive.

The more cautious supporters of privatisation - pointing to the mixed results of broader economic liberalisation programmes - are worried that an ill-prepared Africa might embrace the policy too hastily, meet with failure and reject it as useless for many years to come. So far the signs are that the pace of privatisation in Africa will be slow enough, given the obstacles, to prevent that happening.

Victor Mallet

Italy

State sector debate builds up

ITALY HAS been a haven of tranquillity compared to the political turmoils which have been stirred up in Britain and France over privatisation. The cry of "less state, more market" has little ideological content in Italy, partly because the public sector was established in the 1930s not by reason of political principle, but to save a host of companies from collapse.

It went on growing through the 1970s for identical reasons, although the process was accompanied by the quiet and largely uncontroversial sale of several dozen businesses back to private owners by the main state holding companies, IRI, ENI and EFIM.

Now, however, a debate is building up in Italy around the question of privatisation. For perhaps the first time, public sector managers, politicans and trade union leaders are beginning to discuss the need for a public sector strategy which identifies those activities on which the state should concentrate its resources and those which could usefully pass into private ownership.

This is happening for at least three reasons. One is the growing preoccupation with the reach of political parties. Top state industry managers are chosen more on merit and qualification than in the past, but party affiliation is important and can, and does, limit independence of judgment.

A more commercial explanation for the current interest in privatisation is that the two giant groups, Iri and Eni, seem to have put their years of heavy losses behind them, although both still have problem sectors such as steel and chemicals. Mr Romano Prodi, president of Iri, and Mr Franco Reviglio, his counterpart at Eni, now want to build for growth, but they cannot do so without a clearly defined government policy for state industry.

So the two men have started to foment the public debate, particularly Mr Prodi. Within a couple of weeks of the new Italian Government, led by Mr Giovanni Goria, taking office, he gave a shrewdly timed television interview in which he called on the Government to produce an industrial policy as quickly as possible.

His thinking provides the third explanation for the growing discussion of privatisation. Mr Prodi - and he is by no means alone in this - takes very seriously the European Community's 1992 deadline for achieving a fully integrated internal market. While he may be the boss of one of the world's largest companies as measured by turnover, he views Iri as a "gigantic group of dwarfs."

He believes that the 1990s will belong to those companies which are of a sufficient size to compete with the great multinationals of the US and the Far East, as well as their European rivals. Mr Prodi thus wants to concentrate resources on building a few giants through mergers with Italian and other European companies. The creation of Telit through the merger of Iri's telecommunications manufacturing subsidiary, Italtel, with Fiat's Telettra, in which the state will retain a 52 per cent shareholding, is one product of this strategy.

But, among other things, he wants and needs the Government to agree with him on the sectors in which Iri should concentrate in the future and on an overall *approach to privatisation.*

It is not only Mr Prodi who has lamented its absence. The Court of Accounts, which checks the Government's behaviour for compliance with the law, produced a report this summer pointing to the lack of a coherent legal framework and proper planning. While the law clearly says that Eni needs ministerial approval to privatise one of its companies, so also does Efim, although subject to a different procedure.

Iri, by contrast, is not legally required to seek political authorisation, although Mr Prodi has learned the hard way that it is unwise to try to proceed without it. His attempt to sell Sme, the food group, to Mr Carlo De Benedetti's Buitoni in 1985, was eventually blocked by the then Prime Minister, Mr Bettino Craxi.

Since 1980, Iri has sold 15 companies and four banks to the private sector, including most recently, the Alfa Romeo car group. The reasons have varied from one case to another, but they mostly derive from the need to simplify Iri's operations by getting rid of businesses that are not "central"(for example Cementir, the cement manufacturer which is currently up for sale) and also from the need to free managerial resources. "This acquisition of resouces is then utilised in order to operate more efficaciously in sectors where it is still impossible for Italy's market forces to meet the challenge posed by national requirements," Mr Prodi told a Financial Times conference in Rome last year.

He also conceded that the need to raise finance for Iri's investment plans is also an important motivation. Unlike in Britain and France, no privatisation has yet been based on selling a business through the stock exchange, partly because of doubts about whether it is yet feasible given the absence of proper laws to protect the investor.

But both Iri and Eni have raised money through the market by admitting private holdings on a minority basis. As a result, more than 38per cent of Banca Commerciale Italiana's stock is now privately held, 32 per cent of Banco di Santo Spirito, 26.2 per cent of Alitalia and 36 per cent of Stet, which controls Iri's telecommunications activities.

This exercise raises the entrepreneurial level of management's performance, says Mr Prodi who, for obvious reasons, is publicly discreet about the managerial "flat spots" in some of his companies. But he does appear convinced that in some cases, such as Alfa Romeo, full privatisation is the most effective means of changing and improving a company's management.

In the last three years, Iri, Efim and Stet have raised L7,000bn through privatisation exercises, but only a small proportion, little more than L1,0000bn, reflects a transfer of control to the private sector. Most has come from the sale of minority shareholdings and thus, the scale of privatisation cannot compare with what has been underway in Britain and France. Apart from Alfa Romeo and the creation of Telit, other notable exercises this year have been Eni's withdrawal from the textiles sector through the sale of Lanerossi for L168bn to the Marzotto group. The Government's final agreement highlighted another feature of privatisation-Italian style, also common to the Alfa Romeo sale to Fiat, in that it was granted *only after the purchaser had* given guarantees on investment and employment.

John Wyles

MARKET MINDED

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Reasons for privatisation moves in Australasia are often different but there is.....

A universal desire to reduce role of state

FROM THE the poorest nations of Asia such as Bangladesh to the super-rich like Japan there is one almost universal theme: the desire to reduce the role of the state in business where ever possible.

The reasoning behind the moves is often different. The Philippines feels that large public sector holdings have been at the root of previous wide-scale corruption; Japan feels that it is contradictory for a capitalist economy to keep operations in the state sector which could and should compete as private enterprise; impoverished countries like Bangladesh want to be rid of the drain on scarce government revenues of heavy loss- making enterprises.

There is always the exception, of course, but they are becoming increasingly rare. Burma appears to be still committed in the long-term to the gradual elimination of private enterprise although it has had to modify this ambition as the need for faster growth becomes more pressing.Laos, while relaxing its policies on private ownership, has not yet gone as far as privatisation, and while the reformers in Vietnam have moved towards free market economic there is no sign yet of the state selling off its assets.

But elsewhere nothing is sacrosanct - "We are moving slowly and at the moment I am just trying to float off parts of one or two state sector corporations, profitable and one not. So in a way we are starting to follow the policies of Mrs Thatcher which seem to have been very successful in Britain," said Admiral Sontee Boonyachai, Deputy Prime Minister of Thailand and minister in charge of privatisation, on a recent visit to London.

He is looking for a buyer for example, for a loss-making shipbuilding operation. And the third largest commercial bank, Krung Thai Bank, seems likely to be privatised.

Most Asian countries argue that at the lower levels of development it was necessary for the state to show the way in industrial investment and on important major projects which were too expesnive, risky or of doubtful commercial viability to attract private investment. But now that many are at higher levels of development they argue the time is ripe for the private sector to do those things it does best.

Poorer countries take the same view for different reasons: the increasing burden of servicing external foreign debt, much of it incurred to subsidies state loss makers, is becoming too great to bear and is strangling economic prospects.

Two aspects of transport are popular candidates for sell- offs in Asia. One is airlines which has its counterpart in Europe, such as the successful flotation of British Airways. The other is railways which are regarded in Europe as being too hopeless a case to attract private buyers, even in that most enthusiastic centre of privatisations - Britain.

Singapore Airlines and the Malaysian Airways System both floated part of their equity in 1985, a third of Japan Air Lines has been launched and profitable Thai Airways movedto take-off point before the plan to float 29 per cent was aborted.

Garuda, the Indonesian airline, is not doing as well, having incurred a loss of $13m last year and the Indonesian Government is considering a partial sale of the operation. This is but one of more than 200 state- owned operations which the Jakarta Government is considering for sale to try to relieve the pressure on the public sector debt figures which are making its strategy of reining back public expenditure increasingly difficult.

In Australia there has been talk about floating Qantas, which announced record profits this year; meanwhile, in New Zealand the Government has announced the sale of 25 per cent of Air New Zealand as well as making it compete by allowing the Australian independent airline, Ansett, to fly on New Zealand's domestic routes.

New Zealand has discovered, like many countries, that it takes time to get some state monoliths into a fit shape for the market and so is tackling the problem in stages. The first step is "corporatisation" under which the industry remains in state ownership but is required to operate under similar management structures and constraints as the private sector,including paying a dividend to shareholders even if the sole shareholder is the Government.

Some non-voting shares can also be sold to the public - the state-owned Bank of New Zealand sold 12.9 per cent of its equity to private investors earlier this year.

The next stage is a partial float with the sale of a proportion of voting shares. Petrocorp and the Development Finance Corporation have already reached this stage, together with Air New Zealand.

Another airline which could change status is Philippines Air, perhaps the most important in a huge list of assets which President Corazon Aquino's government wants to sell off. There are nearly 500 companies on the disposals list including six banks and some leading Government-owned hotels including the famous Manila Hotel.

The Government is sensitive about the multi-billion dollar corruption scandals which were involved in state enterprises during her predessor, Ferdinand Marcos's, rule until he was ousted last year. Mrs Aquino is also anxious to cut the huge subsidies to the inefficient state sector as part of the drive to get the battered Philippines economy moving again.

But one of the problems facing the Manila government and many other Third World governments is that many of the assets are not assets at all and euphemisms such as "non-performing assets" mean simply "dead ducks" - rather than lame variety.

Such unprofitable and run down industries, some completely closed, are almost impossible to value and the fact that the government wants out does not necessarily mean that investors want to become involved.It may be that everything has its price but the Philippines and other south east Asian countries are slowly coming to realise that in some cases that price might be nothing.

Malaysia has certainly accepted that fact - "Any one prepared to keep the rail network running through the rubber plantations and palm groves can rent the entire system for one ringgit (40 US cents)," says Mr Daim Zainuddin, Finance Minister. The offer has so far attracted not a single taker for the 100-year-old system.

Malaysia is likely to be more successful with roads and ports which have been privatised and is likely to have a better time with the telecommunications authority which has been turned into a government company prior to the float of some of its equity.

Sri Lanka, newly emerging from years of ethnic conflict which has ruined its economy, is also now looking at the possibility of selling its telecommunications authority as a first step towards a privatisation programme to reduce the public sector.

South Korea is selling about a seventh of its 84 state- nationalised industries this year with more to follow next year.

Japan, with the biggest economy in Asia, has some of the largest offerings for sale but also some of the biggest problems.More than 10m Japanese applied for the first offering of shares in Nippon Telegraph and Telephone Corporation, which was open to Japnese investors only, and a further tranche will be floated next year. And Japan Air Lines (JAL) is an equally popular company.

But Japan also wants to succeed where all others seem to fail by selling its railway network. While the inter-city bullett express trains and Tokyo's commuter services make a profit, the rest of the network loses vast sums every year with the result that accumulated debt totals US$2.5bn.

The Government is determined to break union resistance,to reduce the workforce and to split the system into seven companies in the hope that the operations will become marketable. Whether there will be any more takers than there were in Malaysia is another matter.

Robin Pauley

Air New Zealand: preparing for take-off to a privatised future

Trusting the market

Continued from page 1

and as a method of broadening and developing their financial markets.

With so much to commend it in theory, privatisation's rising popularity among policymakers is hardly surprising. However, as it comes to be tested in practice, it is becoming clear that it is not the all-purpose magic wand which some had hoped for. The extent to which it can be applied, and the results which it yields, are subject to a number of real-world constraints.

While many other countries would undoubtedly like to embark on the kind of wide-ranging programme pioneered by the UK, their political, economic and financial situations do not always permit them to do so. As a consequence, by choice or necessity, they are settling for somewhat less ambitious alternatives.

Mr Gerry Grimstone, a former UK Treasury official who is now responsible for international privatisation business at Schroders, the British merchant bank, ranks the main options in a hierarchy, reflecting the ease with which they can be applied. In descending order, they are:

1. Initial public offerings (IPOs) of shares via a stock market flotation. These can only be used when the assets involved are of high quality and when there is a well-developed and liquid national equity market. Hence, the number of countries in which they have been used is quite limited: it includes the US, Canada, Western Europe, Japan, Australia, New Zealand, Malaysia and Singapore.

2. Management buy-outs: These are useful for disposing of smaller companies and firms which do not yet have an established track record.

3. Direct corporate sales, the terms of which are negotiated directly with the acquiring company.

4. "Build, operate and transfer." This involves the granting of franchises or concessions to private commercial interests. In return for financing the construction of public infrastructure projects, they are authorised to collect tolls or levies. One example of this approach is the Bosphorus Bridge in Turkey.

Some countries, such as the UK, have used or considered using all of these possibilities. However, only the lower-ranking ones are likely to be available to less developed countries. And for many countries, even the least ambitious options are likely to remain closed.

The International Monetary Fund observed in a recent study that the most striking feature of privatisation in most parts of the world was "the marked divergence between stated intentions and follow-up action." A relatively common problem is that many governments either do not have any state-owned assets which are of interest to private investors, or are reluctant to put them up for sale.

This is particularly true in Africa, where many governments appear to regard privatisation as a convenient dumping ground for chronically troubled state enterprises, while wanting to continue holding on to those which perform reasonably well.

In the Philippines, in spite of a strong government commitment to privatisation, bureaucratic obstacles have slowed the programme down. One problem appears to be the unwillingness on the part of caretakers, appointed by the government to prepare state companies for sale, to manage themselves out of jobs.

Even where governments are prepared to part with ownership, other potential difficulties can lie in wait. In particular, companies which have acquired state enterprises in the developing world have sometimes found that their freedom to manage them profitably is undermined by official interference and the imposition of strict regulations such as price controls.

All these shortcomings suggest that a successful privatisation policy cannot be conducted in a vacuum but pre-supposes acceptance by governments of a number of basic principles founded on a fairly sophisticated understanding of international business practices and the requirements of financial markets.

Finally, how far has privatisation succeeded in practice in delivering the improvements in efficiency and economic performance often claimed for it? Much is made of the salutary disciplines on companies' behaviour which result from exposure to market and financial pressures. The strong profits showing after privatisation by some companies with a poor performance history would certainly seem to lend substance to these arguments.

However, it is difficult to make hard-and-fast judgments. A number of privatised UK companies were already doing well beforehand, while others have improved their performance dramatically while still in the state sector. The recent recovery by British Steel is one example. Furthermore, many of the French companies nationalised after 1981 enjoyed much greater freedom from official interference than when in the private sector. Several have also used their time in public ownership to undertake much-needed restructuring and financial rehabilitation.

Private ownership undoubtedly can provide stimuli to management which are not available in the public sector. However, it is not always axiomatic that these will be acted on, as is clear from the serious financial difficulties and management crises a few years ago at privately-owned British companies such as ICL, STC and Thorn EMI. Repeated criticism by the Chancellor of the Exchequer and other ministers of "short-termist" attitudes in the City constitute official acknowledgement that private ownership is not necessarily a panacea for the shortcomings of state control.

In view of this conflicting evidence, the most prudent conclusion may be that the vigour with which state-owned companies respond to their transfer to the private sector may depend to a large extent on the flexibility and effectiveness of the systems used to control them while in public ownership. Where state supervision has been heavy-handed, inflexible and inimical to commercial objectives—as has been the case with many UK nationalised industries—the greater is likely to be the stimulus of privatisation.

However, even this generalisation needs to be qualified. There has been growing controversy in the UK, particularly since the general election last June, over the performance of British Telecom and British Gas, both previously large public sector monopolies. The former has been sharply criticised over its quality of service, while the latter's pricing policies have been called into question.

A growing number of critics has faulted the government for privatising BT and British Gas without taking adequate steps to subject them to competition.

The message seems to have sunk in in Whitehall, where there is concern that unhappiness with BT and British Gas could, if unheeded, translate into public disenchantment with the rest of the privatisation programme.

As a consequence, ministers are anxiously seeking ways to introduce more competition in the electricity industry, the next major chunk of the state sector scheduled for privatisation.

But the economics and complexity of the industry do not make this a simple task. Indeed, reconciling the interests of customers, investors, the managers concerned and the government's own financial demands now looks a far more challenging proposition than when the privatisation programme was first launched.

Nonetheless, enthusiasts of privatisation in Britain and elsewhere remain undaunted, claming that there is still huge scope to extend the policy to new fields. Just how much further it is applied may well depend on considered judgments of how well it has succeeded to date. But whether or not the worldwide privatisation bandwagon slows down, it seems unlikely at any point in the foreseeable future to go into reverse.

Australia/NZ

Lange shows more gusto

BY THE standards of Mrs Margaret Thatcher's Britain, Australian and New Zealand governments have taken some time to come round to the idea of privatisation.

One good reason is that they came to office much later, in 1983 and 1984. Another, one might have thought, is that they are both Labour governments. In fact that factor looks like making very little difference, because each sees itself as a reforming, even radical, government in economic terms.

That said, Prime Minister David Lange in New Zealand was a much earlier convert to the idea and has gone ahead with far more gusto than his counterpart, Mr Bob Hawke, who still has some awkward party obstacles to negotiate before he can proceed.

Pressed by Mr Roger Douglas, the Finance Minister, Mr Lange has initiated the privatisation of several state corporations and begun putting nine government departments onto a commercial footing, some as a prelude to privatisation.

The corporations include the Bank of New Zealand (BNZ), New Zealand Steel, Petrocorp, which is the state oil and gas corporation, Air New Zealand and the Development Finance Corporation. Each has been andled differently.

With New Zealand Steel,for example, the Government is selling off the group altogether. It called for tenders and received three bids. Unfortunately none was acceptable to the Government. The matter is now being re-assessed with a view to re-tendering later this year.

Petrocorp is a "partial" privatisation, in which the Government first sold off a 15 per cent stake to Mr Brierley and then offered another 15 per cent to the public. The shares carry voting rights, and further offers are certain because the Government plans to reduce its stake to 41 per cent.

In the case of Air New Zealand, long known for its inefficiency, the Government is selling off 25 per cent of the group. The figure for the Development Finance Corporation is 20 per cent.

Further moves are in the pipeline concerning the state-owned activities which were "corporatised" by the Government on April 1.

Altogether nine entities were created - the Electricity Corporation, the Forestry Corporation, the Land Corporation, Telecom, New Zealand Post, the Post Office Bank, the Airways Corporation, the Coal Corporation and the Government Property Services Corporation.

Progress so far has been mixed. While some are up and walking, others are still trying to agree with the Government on the valuation of their assets.

Pressing ahead nevertheless, Mr Douglas announced in his budget in June that the Forestry Corporation and the Government Property Services Corporation would issue state enterprise equity bonds in the current financial year. These non-voting bonds would be equivalent to 25 per cent of their total paid-up capital.

In addition, he said, the other state-owned enterprises would be authorised to issue state enterprise equity bonds of up to 25 per cent of their total paid-up capital.

The pace at which all this actually happens is likely to depend on the advice the Government receives on what the market will bear. Its over-riding aim, however, is to make the bulk of its operations more efficient.

In some areas, therefore - health, education and welfare - privatisation is ruled out. In others the first step is "corporatisation." Even there privatisation goes ahead, it may be partial or complete. Likewise the shares offered may or may not carry voting rights.

By comparison, Australia is moving more slowly. This is not to say that Canberra's thinking is behind - only that, politically, it takes longer to swing Australian public opinion in favour of sensitive policies.

One reason for this is that the country itself - with its federal structure - is more complex to govern. But another is Mr Hawke's much-vaunted preference for "consensus" politics within Australia's faction-ridden labour movement.

Thus, Mr Hawke last month cleared the decks for an internal Labor Party debate on privatisation with a view to securing a change of direction at next June's biennial party conference. The idea is to reverse current policy in favour of public ownership and against selling off Government enterprises.

This trend in Government thinking first became evident earlier this year, and was confirmed when Mr Paul Keating, Mr Hawke's Treasurer, announced in his May mini-budget that the Federal Government would sell A$1bn-worth of assets in the current financial year.

The programme included the sale of long-term leases on all eight of the Government's international airport terminals, the sale of Williamstown Dockyard, and a substantial portion of the Government Aircraft Factory (both in Victoria), and the sale of one-third of Australia's embassy site in Tokyo's business district.

As most people recognised at the time, this was relatively small beer compared with the assets which could be sold to relieve the pressure on the Government's budget and to encourage greater efficiency.

So when, one month after his re-election victory, Mr Hawke publicly promised a full debate within the Labor Party before any major privatisation decisions were made, controversy immediately focused on the more obvious targets.

These are Qantas, the country's international airline, Australian Airlines, which is one of two principal domestic airlines (the other is the privately-owned Ansett), the Commonwealth Bank, Telecom Australia and the Overseas Telecommunications Commission.

First reactions from trade unions and party officials were negative, and prompted one suggestion that the unions should try to direct funds from a national superannuation scheme into any newly-privatised enterprises.

The debate still has a long way to go, however, and it may be that some assets will ultimately be privatised - Qantas and Australian Airlines being the most likely candidates - while others are not.

State governments, too, will come under pressure to sell off assets as the Federal Government's budgetary stringency percolates down. A shift in attitude is already perceptible as attention turns inevitably to a multitude of state banks, state, utilities and other entities.

Chris Sherwell

Turkey

A stealthy start to sales

"THIS IS going to be the hardest privatisation until the Russian one, says Mr Cengiz Israfil, a former executive at Morgan Bank who came back from the US last year to head the privatisation office of Mr Turgut Ozal, the Prime Minister.

Mr Israfil arrived on the scene after the completion of a number of studies on privatisation and the sectors involved commissioned by the Turkish Government from foreign banks. His former employers, Morgan, had actually drawn up the masterplan.

Last month, privatisation in Turkey got stealthily under way when the Government quietly began to sell its holdings in six blue chip private sector companies - it did so without a prior announcement and without giving any figures for the volume of shares involved because it did not want to disturb trading on Turkey's infant stock market where prices are already soaring.

The stock market sale is only a foretaste of what is to come if Mr Ozal and his lieutenants have their way. The state still looms large in Turkish manufacturing industry and in some service sectors such as banking.

State economic enterprises are not subject to commercial law; their investment expenses and losses were a drain on the Treasury before 1980 and played a major part in Turkey's economic crisis in the late 1970s.

Total private sector fixed investment in manufacturing in Turkey last year was TL1,175bn($1.6bn) compared to TL412bn ($588m) but the state economic enterprises as a whole consumed TL2,002bn ($2.86bn), or 40 per cent of public sector fixed investments.

Turkey's major public sector institutions have several intrinsic problems for any would-be privatiser. The first is that most of them were set up originally as state corporations and never existed as private companies at any point in their histories.

"This is a big difference between our public sector and, say, Britain's," says an official at the state planning organisation.

Secondly, although Kemal Ataturk, Turkey's founder and President until 1938, seems to have conceived of possible privatisation some day, the articles of association of most SEEs (State Economic Enterprises) stress social rather than economic aims. This is deeply engrained in their corporate and managerial culture - and in public attitudes towards them. Until very recently, it was assumed that state economic enterprises were there to supply citizens with low-cost inputs and services, rather than to work efficiently.

Other key problems have been: (1) do the funds exist in Turkey for a major sell-off to the public and could the small stock exchange in Istanbul handle the operation? (2) how many SEEs are there which would be attractive to potential private purchasers? (3) should some of the major corporations be broken up into smaller units for a sell-off? (4) how long will it take to reform the management culture and accounting procedures of the major candidates to make them viable in the market?

Eight years of Mr Ozal's reforms have seen some changes in the major SEEs, though their debts to the Government through the State Investment Bank (now reorganised as Turkey's Export Credit Bank) were put at $12bn at the end of 1985.

SEEs mostly report profits and are therefore much less of a drain on the Treasury than they were a decade ago. But one of the Ozal Government's main candidates for privatisation - the petrochemicals producer Petkim - reported gross profits last year of TL10.78bn ($16.4m) while borrowing voraciously on local markets and negotiating with British banks to reschedule £10m and $3m of long-standing debt.

Though Petkim is on the list of corporations due for a sell-off starting this autumn, Mr Israfil is more likely to begin with some plants of Citosan, the state cement corporation.

After that he may well sell Turban, a highly successful hotel chain belonging to the Tourism Bank. The ground services corporation Usas, and the Bosphorus air freight company will probably be his next candidates. A much larger task would be the sale of Sumerbank with its 400 shops.

Foreigners will be allowed to buy, but the initial sales will probably be restricted issues - for employees of the corporations concerned and perhaps for people living in the neighbourhood of large plants. That will reduce the risks of an unsuccessful sale.

Mr Israfil and the Public Participations Fund, one of the extra-budgetary funding bodies set up by the Ozal Government, will be in charge of the operation.

Selling off profitable enterprises such as Turban makes the go-ahead fairly easy, though it is unlikely to create the stir and excitement of the major British privatisations. But some of the larger and older SEEs could prove to be inherently unsaleable in their present form. Most private sector business opinion is sceptical about the chances of more than marginal changes in the near future.

State banks are another problem. There are eight major state banks, mostly inefficient and all closely associated with the structural problems of the Turkish economy. So far their privatisation has not been discussed though Mr Ozal has been changing their top management perhaps with a view to eventual reform and privatisation.

There are also some political obstacles. The first SEE whose privatisation was promised was Turkish Airlines (THY). Three years ago Ozal Government officials said they would split it into two competing companies. A study was carried out by Lazard Brothers. But THY's name is no longer on the list for immediate privatisation despite its obvious attractions for a large-scale sell-off. Many believe that this is the result of discreet behind-the-scenes pressure from Turkey's military and civilian bureaucrats.

A more fundamental fear is that the Motherland Party is the only one in Turkey, right or left, which does not have a statist approach where industry is concerned.

Given the scale of state ownership in Turkey, privatisation is likely to be the work of a decade or more. If the Ozal Government is replaced by any of its rivals in the near future, the process could grind to a halt.

David Barchard

Communist World

Looking back to Lenin

THE REALISATION that the traditional East European style command economy is less effective than the rival capitalist model in creating wealth did not start with Mikhail Gorbachev.

Even Lenin, who left behind a canon of propositions as conveniently contradictory as those of the Gospels, recognised the need for a certain level of private economic activity and a role for market forces. Hence the introduction of his New Economic Policy in 1921 and 1923 whose attempt to foster coexistence between nationalised large-scale industry and small-scale private industry has provided a model for generations of subsequent would-be reformers.

Socialist economists, in any case, have rarely attempted to justify the centralised command system - based on state ownership, central planning and tight central control over resource allocation, wages and prices - purely in economic terms. The goal of greater social justice than was being achieved in the West was for a long time enough to justify the system's many highly visible weaknesses.

But Gorbachev has brought a new strand into the 60-year- old debate over economic reform. It is the admission (first expressed by the leading Soviet economist Tatyana Zaslavskaya in 1983 in a report as yet unpublished in the USSR) that the system spawns institutions, workers and managers unfitted to function in any but the most sheltered environment, (rather as the armed services breed retired officers often incapable of taking day-to-day decisions in civilian life).

The logical conclusion to such an admission might appear to be a transformation of the entire system; abandoning central planning, opening the economy to market forces and the cold blast of international competition, forcing Soviet and East European industry to innovate or go to the wall. Indeed many in the West appear to be looking to Gorbachev to introduce reforms so radical as to constitute a virtual re-establishment of capitalism.

There is no indication that this is what he has in mind, nor that he has given up hope of retaining the essential structure of the system while making it work more efficiently.

The package of reforms approved earlier this summer by the party's central committee certainly go much further than the piecemeal reforms introduced during his first two years in office, and already widely recognised as ineffectual.

Under the new proposals, due to take effect in time for the start of the 1991 five year plan, the role of the state committees for planning (Gosplan), for allocation of resources (Gosnab) and of the 50 or so industrial ministries will be significantly reduced, allowing certain enterprises to determine their own inputs and production, according to market considerations. They will be able to deal directly with one another, rather than through central agencies. But a large proportion of industry, probably more than half, will remain under centralised control.

Prices will also continue to be determined by the state committee for prices, despite a widespread consensus that it has performed abysmally in the past, and that price reform is long overdue.

Following the examples set by China and Hungary, Gorbachev may encourage a bigger role for private enterprise and market-oriented reorganisation in agriculture, small-scale services and the consumer sector.

Earlier attempts in this direction however, such as the moves to legalise privately-owned taxis, cafes and the like have failed to make much impact so far, demonstrating again that the power of the central authorities is far more effective in preventing than in initiating developments.

In any case, the Hungarian experience provides sufficient warning against over-optimism in the power of private enterprise and market-oriented reforms to boost economic performance. Since the introduction of the New Economic Mechanism in 1968, the Hungarians have been in the vanguard of economic reform.

They have not abandoned central planning, but have significantly relaxed the reins, adopting broad guidelines for wages, prices, taxes, subsidies, credits, interest rates and allocation of enterprise income.

They have not yet abolished state ownership - the public sector including collective enterprises still accounts for about 95 per cent of national income - but have encouraged private initiative in agriculture, service industries, construction and other small businesses. They have introduced a bankruptcy law, a bond market and a commercial tier to the previous state monopoly in banking.

In fact they have probably pushed reform as far as was possible in the pre-Gorbachev years, and now have plans to continue the process with an overhaul of the tax system (including introduction of VAT and personal income tax) price reform and introduction of stringent financial and monetary controls.

Superficially, the impact has been impressive. The shops and markets in Budapest are stocked with foodstuffs and consumer goods to a degree not generally associated with Eastern Europe; private enterprise accounts for more than a third of farm output, more than half of service industries and close on 80 per cent of housing construction.

But as the country's economists survey the present sluggish growth, rising inflation, record hard currency debt and declining living standards, the debate continues over the causes of the country's economic ills - are the reforms to blame, or the fact that they have not gone nearly far enough?

The Kadar regime, with the Soviet Union standing behind it, can at least experiment in finding the answer to such questions, knowing that the political repercussions will be limited.

The Gorbachev regime, with no such guarantor, may find itself much more heavily constrained should the reforms fail to achieve their desired result. But the path chosen by Moscow will determine, one way or another, the future of reform in the rest of the Eastern bloc.

Margaret Van Hattem

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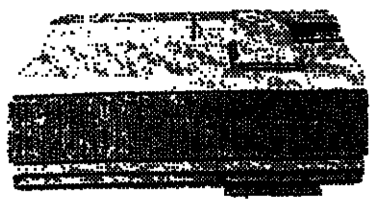

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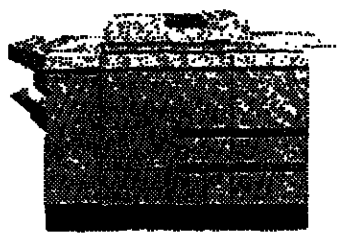

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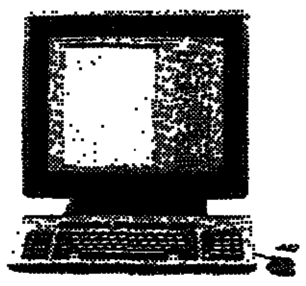

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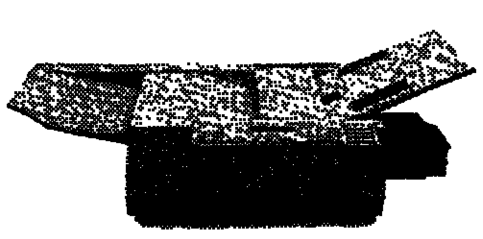

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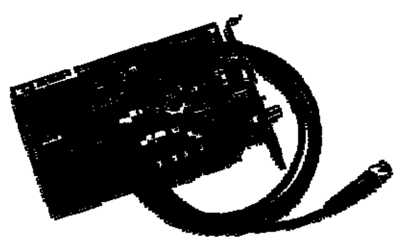

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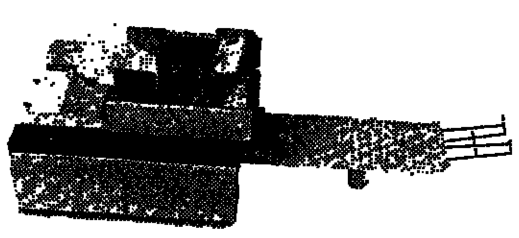

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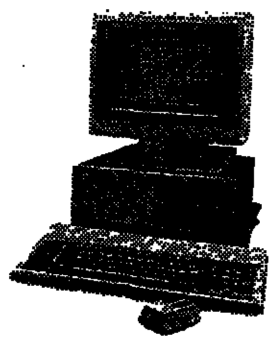

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SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

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Wang sees growth prospects in Europe

By David Thomas in London

WANG Laboratories, the US computers and word processors group, is looking for revenue growth of about 16 per cent from its fastest growing European markets this year, Mr Frederick Wang, company president, said yesterday.

Speaking in London, Mr Wang said the company hoped worldwide sales would be $3.2bn this year, up from $2.84bn in the year ended June 1987.

The company was aiming for 3 per cent to 5 per cent after tax profits this year and intended to be in profit in each quarter.

Mr Wang said he thought Europe would account for about $1bn of sales this year. He thought Europe's share in Wang's revenues would stabilise because the US market was now recovering.

The company says that the UK, France, West Germany, Sweden and Switzerland are particularly fast growing markets.

Last year, Wang's sales were about £200m ($327m) in the UK, Wang's biggest market outside the US – an increase of 20 per cent in sterling and 26 per cent in dollar terms over the previous year.

Wang is hoping for a 16 per cent increase in sterling sales in the UK this year. Areas of particularly strong UK growth are in software and consultancy, the company said.

Mr Wang said the company was not "out of the woods yet," referring to the problems which caused Wang to lose $108.6m in the six months to December 1986.

However, he added that Wang had greatly improved its financial controls, that he was confident in the company's top management and product portfolio.

Edelman group looks for controlling stake in Foster Wheeler

BY DEBORAH HARGREAVES IN NEW YORK

A GROUP of companies controlled by Mr Asher Edelman, the New York corporate raider, is considering taking a controlling stake in Foster Wheeler, the New Jersey-based heavy equipment maker.

In a filing with the US Securities & Exchange Commission, which disclosed the group holds a 3.7 per cent stake in Foster Wheeler, the Edelman group said it would seek to gain control through a negotiated transaction, tender offer, proxy contest or otherwise.

The group said it has held discussions on possible financing or the transaction with investment and commercial bankers, but has so far reached no agreement. Foster Wheeler's shares were down $1½ at $22¼ at lunchtime yesterday.

The Edelman group said it would consider selling certain properties and businesses of Foster Wheeler, after a detailed review of the company's assets and operations.

Foster Wheeler builds chemical plants, oil refineries and industrial equipment and also has sizeable property investments.

In spite of the company's recent push at selling generators for the growing cogeneration and waste-to-energy markets, it reported lacklustre second quarter earnings of nine cents a share, down from 23 cents in the same period last year. Analysts do not expect earnings to pick up this year.

Asher Edelman

Mr Edelman is well known for his recent forays into companies such as Burlington Industries – for which he and Canada's Dominion Textiles waged a protracted but eventually unsuccessful bid battle earlier this year – and more recently, Rexham, a North Carolina-based packaging company.

National Semi recovery

BY GORDON CRAMB IN NEW YORK

NATIONAL SEMICONDUCTOR, the US chip and computer maker which two weeks ago agreed to purchase rival Fairchild Semiconductor for $122m, has confirmed its own earnings recovery by revealing $13m in net profits for its first quarter to August, equivalent to 10 cents a share.

The result, which included a $1.5m tax credit, was the second successive period in which the company has been in the black – for the immediately preceding quarter it made $8.1m or 6 cents a share after two years of uninterrupted losses.

Sales of the Silicon Valley company headed by Mr Charles Sporck were $517.6m in the latest quarter.

US bank share offer priced at $40

By Our Financial Staff

AN ISSUE of 6m common shares of Manufacturers Hanover, the major US money centre bank, has been priced for offering as of yesterday at $40 a share through underwriters led by First Boston, the Wall Street investment bank.

Of the 6m common shares, 5 m shares will be offered to investors in the US with the remainder to be sold internationally.

The gross spread is $1.20, selling concession is 72 cents and reallowance is 25 cents. Delivery is scheduled for September 22.

In its preliminary prospectus for the offering, the company said proceeds would be used to increase shareholders' equity in Manufacturers Hanover and to make investments in subsidiaries.

Some major money centre banks have recently begun rebuilding their equity, which had been reduced when they increased reserves for possible losses on loans to developing countries.

US steel group forecasts rise

THE USS steel division of USX, the major US steel and resources group, should operate profitably in the second half based on lower operating costs and higher average prices for steel, Reuter reports from New York.

Mr Thomas Graham, president, said the steel-making unit has cut costs 27 per cent in the first half of the year and expects further reductions in the second half.

In the second-quarter, USS had an operating profit of $37m

Ferruzzi's debt burden increases by L839bn

BY ALAN FRIEDMAN IN MILAN

THE DEBT burden at Ferruzzi Agricola Finanziaria, the Italian agro-business concern, has increased by L839bn ($643m) since the group's year-end on February 28 to reach a total of L2,053bn yesterday.

Mr Raul Gardini, Ferruzzi chairman, said at the company's annual meeting in Ravenna, that his group's total of shareholders' funds stood at L2,300bn and this meant the debt-equity ratio was still below parity. He also forecast that Ferruzzi's debt would be halved by mid-1988 by means of selected asset disposals and fund-raising on international capital markets.

The first asset disposal was the sale of 10 per cent of Ferruzzi's Olii e Riso, an olive oil subsidiary.

The next fund-raising exercise would be the first tranche – for L500bn of a total $575m that Prudential Bache of the US has agreed to raise for the Italian concern on the London, Paris and New York stock markets.

The Ferruzzi debt is up because of acquisitions such as the $631m purchase last March of the European corn-starch operations of CPC International and the deal this week that sees Ferruzzi paying $385m for Central Soya, a leading US soybean seed business. Mr Gardini said there had been a series of asset disposals during the spring as well.

When asked to comment on Ferruzzi's indebtedness and that of Montedison, the Milan chemicals group which is controlled by Ferruzzi, Mr Gardini explained his corporate debt philosophy: "A modern, industrial group cannot remain standing still, worrying about how much debt it has, but must grow in order to be dynamic."

Montedison has seen its debt jump because of a $1.5bn deal last week to buy out a 38.7 per cent shareholding in Himont, its polypropylene venture with Hercules of the US.

Mr Gardini said that with all of Ferruzzi's acquisitions considered, his group revenues would reach L13,000bn this year, and with Montedison included the "aggregate" total would come to L26,000bn.

USG plans to increase its role in fast-growing DIY markets

BY ANDREW BAXTER IN LONDON

USG, the major US building products group known formerly as US Gypsum, plans to increase its presence in the US "repair and remodel" or do-it-yourself market to reduce its dependence on the more cyclically-sensitive construction business.

USG is the largest US producer of gypsum products, such as plasterboard, and has traditionally sold to the building industry and other professional users.

However, the $195bn US repair and remodel market is the fastest growing of USG's markets, said Mr Robert Day, chairman and chief executive, in London yesterday.

In contrast, US housing starts are expected to decline this year and next, while new office construction starts are expected to be substantially lower this year.

Mr Day indicated that the recent acquisition of Ohio-based Dao Inc, a leading US producer of caulks, sealants and adhesives, from Beecham, would be an important part of the new thrust.

Dao has excellent brand recognition, impressive market shares in its major businesses and derives 70 per cent of its $130m in sales from the repair and remodel market, he said.

"We believe that combining Dao with USG's Durabond division ... gives USG a major opportunity to develop a strong home-improvement products business," Mr Day said. The repair and remodel market currently accounts for 22 per cent of sales, which reached $2.7bn last year, and is already increasing, although the company has no specific target.

Mr Day noted that USG has spent about $325m on acquisitions in the past two years, although none was on the scale of the 1984 purchase of Masonite. The companies acquired have helped USG fill some gaps in its product range and geographic spread.

The most recent purchase, that of Intamasa, a big Spanish producer of medium-density fibreboard, has given USG a foothold in the European Community fibreboard and furniture components businesses. Mr Day said demand for this type of fibreboard had been growing at more than 15 per cent a year since 1980.

Provigo earnings slip as sales rise

By Robert Gibbens in Montreal

PROVIGO, Canada's second largest food distributor after George Weston Group, had a 13.2 per cent gain in sales in the half year ended August 15, partly due to acquisitions. After further paring of costs, Provigo expects better results for fiscal 1988.

Earnings for the 28 weeks ended August 15 were C$23.3m ($17.8m) or 28 cents a share against C$27.9m or 33 cents on sales of C$3.12bn against C$2.75bn. However expansion in retail and wholesale operations pushed up costs.

Unigesco, a Montreal holding company controlled by Bertin Nadeau and a group of institutions owns 20 per cent of Provigo, the largest single interest.

● Banque Indosuez, the Paris based investment bank, plans to buy 75 per cent of Capital Group Securities, a specialised Toronto securities firm dealing with institutions, through its London subsidiary W.I. Carr (UK) for an undisclosed price.

Indosuez has a direct 20 per cent interest already in Geoffrion Leclerc, a large national securities house operating mainly at the retail level. Its partner in Geoffrion is the Laurentian Group Financial Services Organisation.

● Canadian Pacific, with a resurgence in first-half profits, has raised its dividend on its common stock to 15 cents a share from 12 cents with the October 28 payment. The annual rate becomes 60 cents a share, up from 48 cents maintained since 1982. In 1981, the rate was 63 cents a share.

B.B. Finance (Delaware) Inc.

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$250,000,000

Commercial paper program

Morgan Guaranty, subsidiary of J. P. Morgan & Co., has been appointed a placement agent for this program

JPMorgan

September 1987

This announcement appears as a matter of record only.

HACHETTE

USD 200,000,000

5-Year Multi-Option Financing Facility

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Lead-Managed by
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Banque Française du Commerce Extérieur · Banque Indosuez · Banque Louis-Dreyfus
Banque Nationale de Paris · Banque Paribas · Banque de l'Union Européenne
Barclays Bank S.A., Paris · Caisse Centrale des Banques Populaires · Commerzbank AG, Paris Branch
Crédit Agricole · Crédit Commercial de France · Crédit Industriel et Commercial de Paris · Crédit du Nord
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Facility Agent
Banque Nationale de Paris

Tender Panel Agent
Société Générale

July 1987

New Issue

4,000,000

Northgate Exploration Limited

Common Shares

All of these securities having been sold, this announcement appears as a matter of record only.

Prudential-Bache Capital Funding

Bear, Stearns & Co. Inc. | Alex. Brown & Sons Incorporated | Donaldson, Lufkin & Jenrette Securities Corporation
Drexel Burnham Lambert Incorporated | Hambrecht & Quist Incorporated | E. F. Hutton & Company Inc.
Lazard Frères & Co. | Merrill Lynch Capital Markets | Montgomery Securities
PaineWebber Incorporated | Robertson, Colman & Stephens | L. F. Rothschild & Co. Incorporated
Wertheim Schroder & Co. Incorporated | Burns Fry and Timmins Inc. | Fahnestock & Co. Inc.
S. G. Warburg Securities | Wood Gundy Corp.
Allen & Company Incorporated | A. G. Edwards & Sons, Inc. | Oppenheimer & Co., Inc. | Rothschild Inc.

August 1987

Institut Mérieux

and

Caisse de Dépôt et Placement du Québec

have each acquired 2,750,000 shares of

CDC Life Sciences Inc.

The undersigned acted as financial advisor in this transaction.

Lazard Frères & Co. New York | Lazard Frères et Cie Paris

August 25, 1987

All of these securities have been sold. This announcement appears as a matter of record only.

Alliance Imaging, Inc.

$15,000,000

9¼% Convertible Subordinated Debentures Due September 1, 2012

Interest Payable on March 1 and September 1

The Debentures will be convertible into Common Stock at the Company at any time prior to maturity, unless previously redeemed, at $8.54 per share, subject to adjustment under certain conditions.

900,000 Shares

Common Stock

L.F. ROTHSCHILD & CO.

INCORPORATED

August 1987

Marine Midland directors back sale

By Our Hong Kong Correspondent

THE HONGKONG and Shanghai Banking Corporation looks set to succeed in its bid to acquire the 48 per cent stake it does not already own in *Marine Midland* Bank of the US. This follows a significant sweetening of its cash offer for outstanding shares.

A special committee of the Marine Midland board yesterday unanimously approved an offer of US$83 a share, which compares with an original offer in July of $70. Assuming minority shareholders accept this recommendation at an extraordinary meeting on November 12, the Hongkong bank will have to pay about $800m for the stake.

The move to take full control of Marine Midland came shortly after the US bank made provisions amounting to $400m against possible bad debts in South America. It was said at the time that the Hongkong bank was reluctant to support indefinitely all of Marine Midland's liabilities, when it had only 51 per cent of the shares in the bank.

In addition, however, the Hongkong bank appears to have plans to use Marine Midland as the vehicle for ambitious expansion in the US once barriers against inter-state banking are brought down.

When the original $70 a share was announced, there were immediate indications that this would be insufficient to persuade minority shareholders to part with their shares, even though this amounted to a 48 per cent premium over net asset value, and was more than double the share price prevailing in June.

Since July, Marine Midland's share price has remained steady at about $77, confirming a market view that a higher offer was needed.

The Marine Midland board meets today to approve the recommendation of the special committee. The agreement sealed yesterday also commits the bank to a special dividend of 51 cents a share.

Johnnies hopes to match last year's profit

JOHANNESBURG Consolidated Investment (Johnnies) hopes fiscal 1988 profits will match last year's results "although we must expect tighter markets and more difficult operating conditions," said Mr Murray Hofmeyr, chairman, reports Reuters in Johannesburg.

Hofmeyr declined to speculate on possible dividend increases for the year ending next June 30, saying "we'll just have to see how the year turns out."

In a message to shareholders, he said that the recent strike by black miners was costly in terms of lost profits to the industry.

Mr Hofmeyr said it was still too difficult to say what specific impact the three-week strike in August would have on Johannesburg Consolidated, South Africa's fourth-largest mining house.

The group reported previously that 1987 attributable earnings increased 31.1 per cent to R368.5m (R131.6m).

Dividends in 1987 were raised to 1,500 cents a share from 1,200 cents in the prior year.

Elders begins investment unit public offering

ELDERS IXL has started its initial public offering of shares in Elders Investments, its Hong Kong company according to the Elders Finance Group in Hong Kong reports Reuter

The offer comprises 41.25m new shares and 8.25m warrants each exercisable into one new share each. Issue price is expected to be near the net asset value per share at August 28, which was US$3.14. The warrants, which mature on April 30 1989, can be exercised at a 12 per cent premium over the issue price, or approximately $3.52. Prices are expected to be finalised within a week.

The offer represents 25 per cent of the company's shares, with Elders IXL holding the remaining 75 per cent. The parent company intends to reduce its stake to 45-49 per cent, but has undertaken not to sell any shares before October 1988.

Credit Suisse First Boston is joint co-ordinator for the offer. Lead managers are Jardine Fleming (Securities) and Wardley for Hong Kong, Yamaichi Securities Co for Japan, Elders Finance Group for Australia and CSFB for the rest of the world. Each region is expected to be allocated 25 per cent of the offer.

HK and Shanghai Hotel in defensive share offer

BY DAVID DODWELL IN HONG KONG

MR MICHAEL KADOORIE, whose family has controlled the Hongkong and Shanghai Hotels Group for more than half a century, yesterday launched a two-week "international road-show" aimed at finding foreign institutional investors to buy shares in his company.

The group, centred around the Peninsula hotel — Hong Kong's oldest and grandest — needs to place 34.5m shares which amounts to just under 35 per cent of its issued share capital. A public offering will also be made in Hong Kong.

The shares on offer are being held on the Kadoorie family's behalf by a consortium of banks which stepped in to rescue the group from an unwelcome take-over assault led by Mr Joseph Lau, head of Evergo, the Hong Kong group.

The sudden assault was triggered when the family of Mr David Liang, which has for many years shared control of the hotel group with Kadoories, decided to dispose of its stake. Mr Lau's Evergo, and a second company, Lai Sun Garments, bought the Liang family's stake and Mr Lau went on to mount a challenge to the existing board control.

After a protracted battle for control, and a subsequent paralysing stalemate in which neither party appeared able to secure proper control, a consortium of banks came to the rescue of the Kadoories early in August, paying Mr Lau HK$65 a share for his holding — amounting to HK$2.24bn ($US287m. The consortium has given the family until the end of October to place the shares.

The Kadoorie family already holds shares amounting to 34.99 per cent of Hongkong and Shanghai Hotels' issued share capital, the maximum that can be held without triggering a full bid for shares. The family decided against buying the overhanging shares outright, both for reasons of expense and because of a need to broaden the company's shareholder base.

Schroders Asia, the financial adviser, is mounting the road-show in conjunction with Henry Schroder Wagg, its London parent, and with Hoare Govett, the stockbroker, and County NatWest.

Presentations on the group, which has a market capitalisation in Hong Kong of HK$6.5bn, and is one of the territory's top 30 companies, have been arranged in Tokyo, the US, London and Edinburgh, and in a number of other European financial centres.

The pricing of the issue will not be fixed until the first week of October. The shares stood in the market yesterday at HK$68 apiece.

Humes fails to meet forecasts

BY BRUCE JACQUES IN SYDNEY

HUMES, the Melbourne-based building products group has failed to meet profit forecasts made earlier this year in the heat of the unsuccessful $500m raid on the company by Mr Garry Carter's Unity-APA group.

Humes earned after-tax profits of A$30.85m (US$22.4m) in the year to end-June against a forecast of A$32.7m.

The result is also slightly down on the previous year's earnings of A$2.3m but the company is maintaining its annual dividend at 13 cents.

Sales were up marginally from A$745.6m to A$749.3m. The profits were arrived at after tax of A$27.3m against A$26.6m previously.

Humes' main strategy in the drawn-out defence against Unity-APA was a complex merger with the Smorgon group, one of Australia's largest privately-owned companies, involving the purchase of the company's Melbourne mini-steel mill.

The move is still seen as defensive and the market has doubts on the price paid for the Smorgon steel mill. Humes' directors forecast an A$1.9m contribution from Smorgon in the latest year, rising to A$11.6m this year.

There was little reaction to the Humes results on Australian stock markets yesterday

Sunshine Australia supports Wormald

BY OUR SYDNEY CORRESPONDENT

THE DIRECTORS of Sunshine Australia, the industrial group, have recommended acceptance of a controversial A$210m (US$152.8m) bid from Wormald International aimed at rationalising the Australian interests of Mr Lee Ming Tee.

The recommendation follows an independent report on the bid from Nelson Wheeler, an accounting firm, which concluded that Wormald offers were fair and reasonable. Sunshine's own advisers, Baring Bros. Halkerston, concurred with the report.

Directors are also accepting A$2.90 a share bid for their own shares which has pushed Wormald's stake in the company to within an ace of the controlling 50 per cent mark. But they said the recommendation was subject to a competing bid emerging or a higher price being available on the stock exchange, which now seems unlikely with the group all but locked up. Sunshine shares closed steady at A$3.90 yesterday.

Sunshine directors also announced a small profit rise for the company in the June year, but they are omitting the final dividend because of the Wormald take over. After tax profit rose from A$18.6m to A$21.9m and the 6 cent a share interim payout stands as the full year rate against 12 cent a share last year. Results included consolidation of the Enacon group for the first time, but the group's major investments had not been equity-accounted. They described the results as satisfactory considering major losses incurred by Enacon in the year.

The result followed tax of A$66,000 against A$809,000 previously, and depreciation A$3.99m compared with A$1.02m. Interest costs rose from A$13.1m to A$25.4m.

All these securities having been sold, this announcement appears as a matter of record only.

NEW ISSUE | August 4, 1987

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INTL. COMPANIES and FINANCE

CBR profits boosted by acquisitions in Canada

BY TIM DICKSON IN BRUSSELS

CBR, the leading Belgian cement manufacturer, increased consolidated sales by 55 per cent to BFr 16.6bn ($433m) in the first half of this year, following the inclusion for the first time of results from its new North American operations.

Income before tax was more than 90 per cent higher, at BFr 1.336bn, boosted by BFr 152m of extraordinary asset sales. Consolidated earnings before tax and extraordinary items increased by 29 per cent per share.

CBR, which is effectively controlled by Societe Generale de Belgique, the country's largest commercial and industrial holding company, acquired the cement activities of the Canadian group Genstar for C$452m (US$345m) in October 1985 as part of an ambitious bid to diversify its interests outside Europe.

CBR said yesterday that the average consumption of cement and related products in North America rose slightly over the first half of this year and that, notwithstanding tough conditions in the Canadian oil province of Alberta, sales as a whole in the region had increased slightly compared with the previous period.

The company said hopes were high that the former Genstar activities would enjoy a more buoyant second half.

In Belgium, Holland and surrounding markets, by contrast, cement consumption was on average 1.2 per cent lower during the first six months, largely due to bad weather. This resulted in European turnover being slightly down during this period, at BFr 10.4bn.

Looking forward to the rest of the year, Mr Julien Van Hove, CBR's president and chief executive officer, says that "the prospects remain promising in terms of volume, revenues and operating income, bearing in mind the severe winter weather conditions suffered early this year and the seasonal nature of cement and construction industries, particularly notable in the cold regions of our North American markets.

"Assuming no unexpected climatic or economic circumstances, CBR will enhance full-year results compared with 1986."

Suez buys stake in Cap Gemini

BY GEORGE GRAHAM IN PARIS

THE FRENCH investment banking group Compagnie Financiere de Suez, whose privatisation is due to start in three weeks, has taken a stake in the fast-growing computer services group Cap Gemini Sogeti.

Suez has bought an 8 per cent stake in Sogeti SA, the holding company controlled by Mr Serge Kampf which owns 52 per cent of the capital of the quoted Cap Gemini—once the largest company on France's second marker before moving recently to a full Stock Exchange listing.

Suez's purchase of the stake reduces the holding of Mr Kampf and other members of the Cap Gemini management to 57.5 per cent of Sogeti SA.

The other major shareholder in Sogeti is Compagnie Generale d'Industrie et de Participations (CGIP), the quoted holding company of the former steel barons of the Wendel group, which also holds a direct stake in Cap Gemini.

Banque Indosuez, the main banking subsidiary of the Suez group, is already one of Cap Gemini's bankers.

Cap Gemini has rapidly built an empire in Europe and the US through the purchase of privately owned computer services companies. It recently bought a 36 per cent stake in its main French rival CISI and expanded into systems integration through the purchase of Societe d'Etudes de Systemes d'Automation (SESA).

Cap Gemini saw group sales of FFr 1.72bn ($283m) in the first half of the year. The company has forecast turnover of FFr 4.5bn for the whole year, with a net profit margin of at least 6 per cent.

Voest-Alpine workers to lose jobs after losses

By Judy Dempsey in Vienna

VOEST-ALPINE, Austria's largest state-run steel and engineering group, reported losses of Sch 5bn ($390m) for the first seven months of the year. The management confirmed yesterday that more workers would have to lose their jobs as part of a major restructuring programme.

Mr Herbert Lewinsky, chief executive, said such losses were in line with the company's estimates.

The financially troubled company, which plans to dispose of units and streamline production, recorded losses of more than Sch 8bn last year, following a decline in turnover, from Sch 52bn to Sch 45bn.

Mr Lewinsky confirmed that the company would reduce its work force from the present 28,200 to about 23,500 by the end of 1990. More than 1,000 jobs would be lost by the end of 1987 as part of this programme.

While the parent company, Voest-Alpine AG, is expected to make the heaviest losses, Voest-Alpine said some of its subsidiaries were "doing very well."

The subsidiaries include Noricum, the arms manufacturer which is at the centre of an investigation concerning allegations that its management illegally exported arms to Iran, and Intertrading, which made losses of more than Sch 2bn in 1985 speculating on the oil markets.

Euroc agrees purchase of Dutch company

By Our Financial Staff

EUROC, the Swedish building materials, engineering and trading group, has agreed to buy De Boo, a Dutch building material wholesaler, for an undisclosed sum.

The deal is intended to boost the operations of Euroc's trading division — Euroc Trade — while providing a foothold in the European Community.

Euroc said it had been searching for a suitable company within the EC to acquire and believed that De Boo's activities could be developed further there.

Euroc said its strategy was to increase its market share overseas while strengthening its position in the building and construction sector.

De Boo has a turnover of about SKr 1bn ($156m) and a workforce of 400. Euroc said that the Dutch company showed "an acceptable profitability" which could be improved.

The Dutch concern consists of seven wholesale companies which supply building companies with a broad range of building materials. It also imports cement and produces concrete.

The acquisition should double the turnover of Euroc Trade, which deals with the import, export and distribution of chemicals and goods used in the hardware and building trade.

Kongsberg half-year deficit heavier than forecast

BY KAREN FOSSLI IN OSLO

KONGSBERG, Norway's troubled state-owned defence contractor, reported a loss of NKr 1.2bn ($180m) for the 54 months ended mid-June.

The outturn is substantially worse than Kongsberg forecast when it was forced to seek government aid earlier this year.

The company recorded an operating deficit of NKr 224m for the period, half of which resulted from defence activities.

It said the main reasons for the weak result included an increase in write-offs in the jet engine division—which is being sold—unforeseen losses on defence activities and write-offs from other disposals.

Kongsberg's creditors are owed outstanding debts totalling about NKr 1.6bn. They are likely to collect about 40 per cent of the total amount owed under a composition solution for repayment.

Danish broker in trouble

BY HILARY BARNES IN COPENHAGEN

IS MONIES, the Copenhagen stockbroking firm, suspended payments on Monday following substantial losses on "speculative deals," according to a statement from the Bank Inspectorate.

It is thought the company speculated incorrectly on the outcome of last week's Danish election and lost money in the bond market. It had been weakened by losses earlier in the year.

A Stock Exchange reform, which ended a monopoly of 27 broking firms at the start of this year, has also made the market more competitive and narrowed margins.

Milan bank's earnings fall

MEDIOBANCA, the Milan merchant bank which is 57 per cent controlled by the IRI state holding group, last night announced a 34.6 per cent drop in its profits, to L113bn ($86.7m), for the year ended June 30, writes Alan Friedman in Milan.

The bank's brief communiqué did not explain why earnings were down, but revealed only that the profit for the 1986-87 period was struck after setting aside L61.1bn for bad debts. The profit also followed a L4.2bn write-down on the value of shareholdings.

Swedish unions oppose Asea merger proposal

By Sara Webb in Stockholm

ASEA, the Swedish electrical engineering group which is planning to merge with BBC Brown Boveri of Switzerland, is facing strong opposition to its merger plans from some of the unions.

Although they have no power to block the merger, a group of unions at the company has objected that if the new company is based outside Sweden union members might not have the same influence and right of control as before.

The group—which includes the Engineering Workers' Union, Construction and Electrical Workers' Union, and Paper Industry Workers' Union—wants Asea to guarantee that its holding in the new company will not fall below 50 per cent.

In addition it wants the company to allow the formation of new cross-border or international unions for the merged company, based on existing Swedish unions.

Asea has declined to give such assurances, saying it cannot authorise the creation of new union structures in other countries. The local unions which have raised the objections now have to decide whether to take up the issue at central level.

Other unions at the company have viewed the merger plans favourably, and pointed to the advantages on the research and development, production and marketing sides.

France to put reinsurer on the bourse

By Our Financial Staff

SCOR, the leading French reinsurance company, will move into the private sector before the end of the year.

Mr Edouard Balladur, the Finance Minister, announced yesterday that he had authorised the sale by the state institution Caisse Centrale de Reassurance of 22 per cent of its 30 per cent stake in Scor—Societe Commercial de Reassurance. The Caisse will be responsible for putting its holding on the market.

The sale will leave 58 per cent of Scor's capital in the hands of private sector and mutual insurance companies, employees or the public.

A further 34 per cent is held by the three main state-owned insurance companies —UAP, AGF and GAN— which are due to be privatised soon.

Scor is the ninth largest professional reinsurance company in the world, and the fifth largest in Europe, with FFr 3.99bn ($658m) of gross premiums in 1985. Last year the group floated its US subsidiary, Scor Re, on the New York Stock Exchange.

Active mainly in the non-life reinsurance sector, Scor returned to the black in 1985 with group consolidated profits of FFr 63m after losses of FFr 49m the previous year.

Mr Balladur has run into considerable obstacles in his attempts to privatise the main French insurance companies, but has succeeded in tidying up the state's holdings in the field by the transfer earlier this year of Mutuelles Generales Francaises to the private sector.

This announcement appears as a matter of record only.

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For further information regarding The Bank of New York's ADR Services, please contact Joseph Velli in New York (212) 530-2321, Michael Cole-Fontayn in London (01) 626-2555.

NEW ISSUE — *This announcement appears as a matter of record only* — August 1987

The Yasuda Trust and Banking Company, Limited
(Incorporated with limited liability in Japan)

U.S. $100,000,000.
1¾ per cent. Convertible Bonds Due 2002
ISSUE PRICE 100 PER CENT.

Yasuda Trust Europe Limited

Yamaichi International (Europe) Limited — Daiwa Europe Limited

Credit Suisse First Boston Limited — Goldman Sachs International Corp.
Morgan Stanley International — Swiss Bank Corporation International Limited

The Nikko Securities Co., (Europe) Ltd. — Nomura International Limited

Banque Paribas Capital Markets Limited — Citicorp Investment Bank Limited
Kidder, Peabody International Limited

Bankers Trust International Limited — Banque Bruxelles Lambert S.A.
Baring Brothers & Co., Limited — Cazenove & Co. — Chase Investment Bank
Crédit Commercial de France — Deutsche Bank Capital Markets Limited
Dresdner Bank Aktiengesellschaft — EBC Amro Bank Limited
First Interstate Capital Markets Limited — Robert Fleming & Co. Limited
Fuji International Finance Limited — Generale Bank — Merrill Lynch Capital Markets
Samuel Montagu & Co. Limited — Morgan Grenfell & Co. Limited
J. P. Morgan Securities Asia Limited — Nippon Kangyo Kakumaru (Europe) Limited
Norinchukin International Limited — Orion Royal Bank Limited
Prudential-Bache Capital Funding — Salomon Brothers International Limited
Sanyo International Limited — Shearson Lehman Brothers International
Svenska Handelsbanken Group — Taiyo Kobe International Limited
Union Bank of Switzerland (Securities) Limited — Wako International (Europe) Limited
S.G. Warburg Securities — Westdeutsche Landesbank Girozentrale — Wood Gundy Inc.

Algemene Bank Nederland N.V. — ANZ Merchant Bank Limited — Bank of Montreal Capital Markets Limited
Banque Internationale à Luxembourg S.A. — BNP Capital Markets — BHF BANK
Chemical Bank International Group — Chuo Securities Co., Ltd. — CIBC Capital Markets
Commerzbank Aktiengesellschaft — Cosmo Securities (Europe) Limited — Credit Lyonnais — Dai-ichi Europe Limited
Kansallis Banking Group — Kleinwort Benson Limited — Kokusai Europe Limited — Kredietbank S.A. Luxembourgeoise
Manufacturers Hanover Limited — Marusan Europe Limited — Mito Europe Limited
National Securities of Japan (Europe) Ltd. — New Japan Securities Europe Limited — Okasan International (Europe) Limited
Postipankki, Helsinki — Security Pacific Hoare Govett Limited — Standard Chartered Merchant Bank — Taiheiyo Europe Limited
Tokyo Securities Co. (Europe) Limited — Toronto Dominion International Limited — Toyo Securities Europe Ltd.
Universal (U.K.) Limited — Westpac Banking Corporation — Yamatane Securities (Europe) Ltd.

NOTICE OF ADJUSTMENT OF CONVERSION PRICE

To the Holders of
EASTMAN KODAK COMPANY's
6⅜% Convertible Subordinated Debentures Due 2001

NOTICE IS HEREBY GIVEN, pursuant to the provisions of the Fiscal Agency Agreement dated as of July 1, 1986 under which the 6⅜% Convertible Subordinated Debentures Due 2001 were issued, that on September 11, 1987 the Board of Directors of Eastman Kodak Company declared a stock dividend in the ratio of one share of common stock for each two shares of common stock issued. The dividend is payable on October 19, 1987 to holders of record at the close of business on September 23, 1987. As a result of the stock dividend, the Conversion Price of the Debentures has been adjusted from $76.00 per share of common stock to $50.67 per share of common stock effective at the close of business on September 23, 1987.

EASTMAN KODAK COMPANY
Dated: September 11, 1987

NOTICE OF PREPAYMENT
SOCIETE NATIONALE DES CHEMINS DE FER FRANCAIS (S.N.C.F.)
£30,000,000 11½% Guaranteed Notes due 1989

In accordance with the Description of the Notes, notice is hereby given that S.N.C.F. will prepay at 101% of their principal amount on November 1, 1987 the entire issue, i.e. £30,000,000.

Payment of principal, premium and interest will be made in accordance with paragraph "Payments" of the *Description of the Notes.*

Interest will cease to accrue on the Notes as from November 1, 1987.
Luxembourg, September 16, 1987.

The Fiscal Agent
KREDIETBANK
S.A. Luxembourgoise

RENFE
Red Nacional de los Ferrocarriles Españoles
DM 625,000,000
Deutsche Mark Floating Rate Notes due 1996
– Stock Index No. 478 723 –

In accordance with § 2 (8) of the Terms and Conditions of the Notes, notice is hereby given that the Rate of Interest has been fixed at 4[17]/[32]% p. a. for the Interest Period 16th September, 1987 to 16th March, 1988 (182 days). Interest accrued for this Interest Period and payable on 16th March, 1988 will amount to DM 229.06 per DM 10,000 principal amount.

September, 1987

Interest Determination Bank:
MORGAN GUARANTY GMBH,
Frankfurt am Main

Christiania Bank og Kreditkasse
(Incorporated in the Kingdom of Norway with limited liability)
U.S.$100,000,000
Bull Floating Rate Notes Due 1991

Notice is hereby given that the Rate of Interest has been fixed at 9.0762% and that the interest payable on the relevant Interest Payment Date March 16, 1988 against Coupon No. 4 in respect of U.S.$10,000 nominal of the Notes will be U.S.$458.85 and in respect of U.S.$250,000 nominal of the notes will be U.S.$11,471.31.

September 16, 1987, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank — CITIBANK

CHANGE OF ADDRESS
Oppenheimer & Co Ltd
With effect from Monday 14th September 1987
Our Address will be
STOCKLEY HOUSE
130 WILTON ROAD
LONDON SW1V 1LQ
Telephone: Switchboard 01-834 8088
Sales 01-931 8611 Settlements 01-931 9911
Telex: 915152 OPINC G Fax: 01-931 9031/9282

The Dai-Ichi Kangyo Bank Ltd
(Incorporated with limited liability in Japan.)
US$100,000,000
2¼ per cent Convertible Bonds due 2001

Notice is hereby given that at a meeting of the Board of Directors of The Dai-Ichi Kangyo Bank Limited held on 18th August, 1987, it was resolved to make a free distribution of shares to shareholders on record as on 30th September, 1987, in the ratio of 0.03 new share for each old share held. The issue price is Yen 50 per new share (which will not be collected from shareholders).

In accordance with Clause 4 of the Bonds, the Conversion Price of the Bonds will be adjusted to Yen 1,514.80 with effect from 1st October, 1987 (previous conversion price Yen 1,560.20).

The Dai-Ichi Kangyo Bank Limited
London

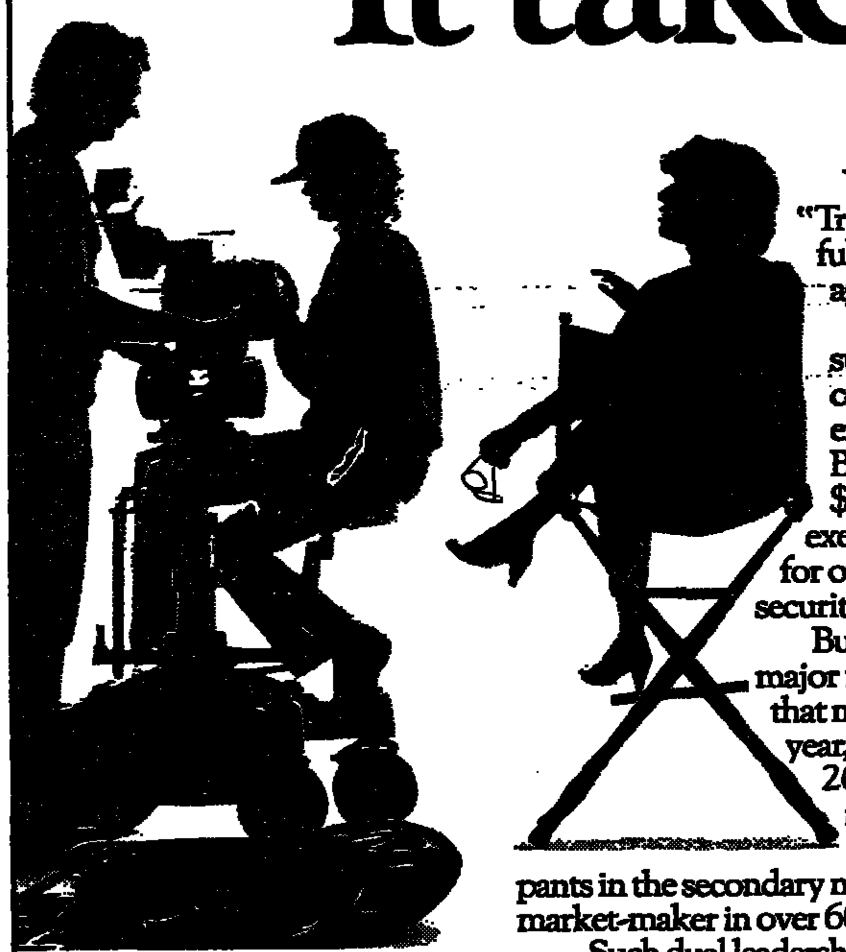
U.S. $125,000,000
ONGC
Oil and Natural Gas Commission
Guaranteed Floating Rate Notes Due 1996
Unconditionally and irrevocably guaranteed as to payment of principal and interest by
India
Acting by its President

Interest Rate	8⅛% per annum
Interest Period	16th September 1987 16th March 1988
Interest Amount per U.S. $10,000 Note due 16th March 1988	U.S. $410.76

Credit Suisse First Boston Limited
Agent Bank

It takes a special kind of bank to be a power in both corporate trust and Eurosecurities.

It takes Bankers Trust.



Bankers Trust was selected as exchange agent for the $2.6 billion acquisition of Storer Communications by its management and SCI Holdings, Inc.—a corporation organized by Kohlberg, Kravis, Roberts & Co. In 1986, our specialized reorganization processing team handled acquisitions totaling over $20 billion, including three of the five largest.

You might expect a bank with "Trust" in its name to be a powerful force in corporate trust and agency services.

So it should come as no surprise that more than 2,000 corporate and governmental entities worldwide depend on Bankers Trust to service over $150 billion in securities. (We exercise fiduciary responsibility for over $80 billion in debt securities alone.)

But for the same bank to be a major force in the Euromarkets—that might seem surprising. Yet last year, Bankers Trust lead-managed 20 Eurosecurity offerings totaling *$2.5 billion*. And was one of the most active participants in the secondary market, where we are a market-maker in over 600 different Eurosecurities.

Such dual leadership is the result of Bankers Trust's remarkable brand of banking: merchant banking.

Merchant banking blends two distinct aspects of banking. One is the lending capabilities and breadth of non-credit services of a commercial bank. Among these are our trust and agency services.

The other half of merchant banking involves the intermediary skills and entrepreneurial spirit of an investment bank. From this half springs our strength in the Euromarkets.

It's this combination of investment and commercial banking services that has made Bankers Trust the choice of so many private and public sector entities. For more often than not these days, what once were purely commercial banking functions now require a considerable degree of investment banking know-how. And vice versa.

The combination has given Bankers Trust leadership in many areas. Among them:

Trading. From our regional trading rooms in New York, London and the Far East, we execute over $20 billion in money, securities, and currency transactions daily. Bankers Trust is today one of the five largest primary United States government securities dealers and one of the acknowledged leaders in foreign currency trading.

Loan syndication. Bankers Trust plays a major role in the global syndicated loan and Euronote market. We are sixth among the top 50 lead managers worldwide, and are ranked fifth by leading participants in the world's capital markets in terms of innovative instruments and pricing.

Swaps. Bankers Trust is a universally acknowledged market leader in the intricate world of currency and interest rate swaps. Our team of specialists in New York, London, Tokyo, Hong Kong and Toronto completes an average of five deals every day.

Securities services. Bankers Trust's securities services capabilities go far beyond our leadership in worldwide custody and clearance. We also offer programs like Institutional Brokerage, Securities Lending and Dividend Plus to maximize the earning power of the securities we service.

In almost every area, Bankers Trust's merchant banking skills can serve you, and serve you well. Indeed, many clients now turn to us for virtually all of their banking needs.

Merchant banking. If you're not yet taking advantage of it, you should. With the special kind of bank that can best put it to work for you: Bankers Trust.

When Bankers Trust brought a $350 million Eurobond issue to market for the European Economic Community, it was the largest bond and swap issue ever, and one of many arranged by Bankers Trust.

Bankers Trust Company

Dashwood House, 69 Old Broad Street, London   Kishimoto Building, 2-1 Marunouchi, Tokyo

Merchant banking, worldwide.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Italy sells at discount as dollar deals drift lower

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

US DOLLAR BOND prices drifted lower in Europe yesterday as negative sentiment reasserted itself in the New York market.

The uncertain mood in the US made it clear that the rally which followed Friday's announcement of a record US trade deficit for July was largely a covering of short positions.

Many traders had expected a sharp jump in the market on Monday, and took off their hedges in the market as a result. But a sickly dollar on the foreign exchanges ensured yesterday's bond market performance was weak, and by late afternoon the US Treasury 30-year bond was off ½ point.

None of this was good news for the $1bn, three-year issue launched for Italy on Monday. Lead manager Credit Suisse First Boston said that during the morning it sold the 9 per cent bonds at a discount of 1.30 to their 100½ issue price.

By late afternoon, the weakening of the US Government bond moved outside its 1 per cent fees and closed at less 1.40 bid, leaving those dealers with long positions sitting on small losses.

CSFB says the issue, which was swapped from fixed- into floating-rate dollars and will be used to supplement Italy's foreign exchange reserves, has been a success. The spread over the three-year US Treasury bond has narrowed to 56 basis points from 60 at launch, it said.

Other dealers said the issue was too large for its success to be determined in a couple of days. One said its performance in the current uncertain markets would depend heavily on the performance of the six co-lead managers, who have taken $75m each.

INTERNATIONAL BONDS

Sweden was rumoured to be interested in seeking funds in the Eurobond market, but there was no confirmation of this.

Meanwhile, the World Bank chose the US foreign bond—or Yankee—market to raise $750m, continuing its policy of diversifying its investor base. The ten-year issue was priced at 55 basis points over US Treasury bonds at launch, with a coupon of 9⅜ per cent and a price of 99⅞. Merrill Lynch was running the books.

The issue, too aggressively priced according to some observers, broke from syndicate and was quoted at 98⅞ bid.

With the Japanese market closed for a Tokyo holiday, the D-Mark foreign bond market fell by about ½ point on average, on profit taking after several consecutive days of improvement.

The *Central Bank of Turkey* launched a DM 200m, five-year issue with a 7 per cent coupon, the highest on a D-Mark issue since early-1986, and at par issue price, through Commerzbank. It was quoted at less ½ bid late in the day, well within fees.

The domestic market is awaiting a new Federal Post Office issue, details of which will be announced tomorrow. It is expected to be of DM 2bn over 10 years with a 6⅛ per cent coupon.

In London, the only new issue was for a special purpose company, Jets II. Repackaged by Mitsubishi Finance International from Japanese corporate ex-warrant bonds, the par-priced $55m, five-year floating rate note carried a margin of 25 basis points over 6 month Libor.

In Switzerland, the foreign bond market closed mixed with a firmer bias. A SFr 200m convertible for Sanwa Bank closed its first day's trading at 97, compared with a par issue price, although last week it was trading at a discount of seven points in the grey market amid *publicity about problems* of banks in Japan.

A SFr 125m issue, with a 5 per cent coupon over 18½ years, for Caisse Centrale de Coopération Economique, closed its first day's trading at 95½, compared with a 100 issue price.

Japanese to lead DM issues

JAPANESE BANKS and securities houses are expected to lead-manage their first D-Mark Eurobond issues in early October, Reuter reports from Frankfurt.

West Germany lifted a ban on foreign institutions lead-managing such issues in May 1985 but prevented Japanese firms from doing so until seven German banks had received reciprocal rights in Tokyo.

This barrier was removed last week when the seventh of these banks received a Japanese securities licence. The Bundesbank, which must formally notify the banks before they can lead their first issue, had no immediate comment.

At least two big Japanese houses are preparing issues as soon as they get the go-ahead from the Bundesbank, according to Japanese bankers in Frankfurt.

Industrial Bank of Japan (Germany), a subsidiary of The Industrial Bank of Japan, has previously said it was considering making its debut in Germany with an issue for itself.

IBJ also arranged a presentation to bankers for Hikkaido Electric Power in February.

Nomura Securities' German subsidiary is also preparing an issue for Sodick, a Japanese electrical discharge equipment manufacturer.

Both houses are said to be intent on becoming the first to launch a D-Mark issue. While the competition is currently fiercest between IBJ and Nomura, at least four other Japanese houses are expected to begin lead management in the future.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on September 15

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅞ 92	200	91¼	92¼	−0¼	0	9.94
All Nippon Air 9⅝ 97	100	92⅞	93⅞	—	0	10.56
American Brands 8⅞ 92	150	95¾	96¼	0	+0⅛	9.90
A/S Eksportfinans 7⅞ 93	100	89⅞	89⅞	−0¼	−0¼	9.98
A/S Eksportfinans 7¼ 92	150	91¼	91¾	−0¼	+0⅛	9.71
BP Capital 9⅞ 94	100	†96⅛	96¾	−0⅛	−2⅞	9.65
British Telecom 7⅞ 96	250	84⅞	84⅞	—	−1⅛	10.32
British Telecom 8⅞ 94	150	94⅛	94¼	−0⅛	−0⅛	10.01
Campbell Soup 10½ 95	100	101¼	102¼	−0¼	−0⅛	10.12
Canada 9 96	1000	94⅞	95¼	−0¼	+0¼	9.86
Canadian Pac. 10¼ 93	100	102⅞	102⅞	+0⅛	+0⅞	10.10
CCCE 7¼ 91	115	92⅛	92⅞	+0¼	+0⅞	9.44
CNCA 7¼ 91	150	91½	92¼	0	+0⅞	9.68
Citicorp 8¼ 93	200	†89	89½	+0⅛	−0¼	10.78
Credit Lyonnais 9 91	200	98⅛	98½	−0¼	−0⅛	9.58
Credit National 7⅞ 92	100	91¼	92⅞	−0⅛	+0¼	9.58
Credit National 7¼ 91	150	96⅞	94⅞	−0⅛	+0⅛	8.80
Denmark Kingdom 7⅞ 92	500	90¼	90⅞	0	+0¼	9.87
Denmark Kingdom 8¼ 91	300	95¼	96½	−0⅛	+0⅞	9.57
EEC 7 91	100	91¼	92¼	−0¼	+0¼	9.36
EEC 7¼ 93	250	89⅞	89¾	+0⅛	+0¼	9.77
EEC 8¼ 96	100	88¼	89⅞	0	+0⅞	10.19
EIB 7⅞ 93	100	89⅞	89¾	−0¼	+0⅞	9.92
EIB 9⅞ 97	150	94½	95	−0⅛	−0⅞	10.24
Finland 7⅞ 97	200	85	85½	−0¼	+0¼	10.40
Finland 7½ 93	200	89⅛	89⅞	−0⅛	−0⅛	9.94
Ford Motor Cred. 10½ 91	150	102¼	102¼	−0⅛	0	9.72
Ford Motor Cred. 11⅞ 90	100	104⅛	104⅞	0	+0¼	9.22
Gen. Elec. Cred. 10¼ 00	200	101⅞	102⅛	−0⅛	+0¼	9.97
GMAC 8¼ 89	200	99⅞	99¼	−0⅛	+0½	8.53
Hoesch 8¼ 97	100	88⅞	89⅞	−0½	−0⅛	10.12
Hoesch 7⅞ 92	100	92⅞	93⅞	−0¼	−0½	9.28
Hoesch 7¼ 94	300	90¼	90¼	−0½	−0⅞	9.90
Liberty Mutual 8½ 96	150	89⅞	90⅞	0	0	10.29
LTCB of Japan 8 91	100	94⅞	95	0	−0⅞	9.67
LTCB of Japan 8 97	200	85⅞	85⅞	−0½	+0½	10.47
Mercds.-Benz Cred. 7½ 93	100	†91¼	92⅞	−0¼	−0⅞	9.34
Mercds.-Benz Cred. 8¼ 92	100	97¾	98¼	−0⅛	+0½	8.73
Mitsubishi Fin. 7⅞ 93	100	89	89½	0	+0⅞	10.27
Mutual America 7⅞ 92	100	92⅞	92½	−0¼	−0¼	9.89
Norway Kingdom 7¼ 91	500	92⅞	93⅞	+0⅛	+0¼	9.42
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS; OTHER STRAIGHTS; FLOATING RATE NOTES; DEUTSCHE MARK STRAIGHTS; CONVERTIBLE BONDS; SWISS FRANC STRAIGHTS: [illegible]

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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Existing stock in gilt-edged auction

By Our Euromarkets Editor

THE BANK of England announced yesterday that it will sell a £800m tranche of an existing stock, the Treasury 9 per cent issue due in 2008, in its second experimental gilt-edged auction next Wednesday.

The announcement caused mild surprise in the market because, although the maturity was in line with expectations, the amount was less than the £1bn which had been expected and the coupon was lower than the predicted 9½ per cent.

Both factors fuelled a brief short-covering rally in the market, with traders taking comfort from the absence of a high coupon which might have been taken as a signal that the Bank expected higher interest rates.

The reduced amount—the Bank had previously said the auction would be for up to £1bn—was understood to reflect the relaxed funding position at present rather than concerns about the market's ability to absorb a larger quantity.

Under the US-style experiment—the first short-dated auction was carried out in May and a medium-dated sale is planned in January—the 26 market-makers will be able to put in competitive bids by telephone until 10 am London time on September 23.

Unlike the US system, they are not required to do so and there are no underwriting fees. Most are expected to bid, however.

Because the new issue is an additional tranche of an existing stock, the market had little difficulty in establishing price levels in when-issued trading which began immediately yesterday.

The issue is part-paid, with £60 per £100 due immediately and the remaining £40 on November 9. This feature enabled it to trade at a ½ premium, at £52½ compared with £92¼ for the fully-paid existing bonds.

Though some in the market were surprised that the Bank was using the experiment to offer an already existing stock, most felt that the Bank would want to experiment with all types of funding methods and would probably continue in the future to add to already traded issues especially when international markets are particularly concerned with trading liquidity of markets.

In a poor environment for bond markets worldwide, the Bank has removed some of the uncertainties by offering an existing stock, analysts said. But big questions still hang over the size of likely investor demand at next week's sale, especially from abroad.

CME limits trading in T-bill futures

By Deborah Hargreaves in New York

THE CHICAGO Mercantile Exchange (CME) yesterday limited trading in its September 90-day Treasury bill futures contract to liquidation only.

The exchange described the measure as "preventive medicine" to avoid a short squeeze in the contract if Congress fails to raise the debt ceiling soon. If the debt ceiling is not raised by September 23, the Treasury may not auction bills the following day. These September 24, 90-day bills would be deliverable against the CME's September futures contract.

The CME does not foresee any problems with the expiration of the contract since it is not heavily traded and open interest is just over 2,000 lots. The CME took similar action on its one-year T-bill contract, which is no longer traded, in March 1979.

One trader commented that the action is "no big deal," as the contract is so quiet. T-bill futures are not as busy as the CME's crowded Eurodollar contract with average daily volume at some 6,000 contracts over the past month.

BCE will seek energy reserves

BELL CANADA Enterprises will continue to seek energy acquisitions even if TransCanada PipeLines, its large affiliate, does not succeed in its attempt to purchase Dome Petroleum, AP-DJ reports from Montreal.

Mr Jean de Grandpre, chairman of BCE, said he looks at energy as a long-term investment.

FNMA in global notes programme

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

THE Federal National Mortgage Association, the US home mortgage concern which is federally chartered but owned by shareholders, announced yesterday that it is establishing a $1bn global programme to issue medium-term notes.

The programme will enable it to issue securities of one to 30 years' maturity with fixed or floating interest rates or zero coupons, in dollars and other currencies.

Credit Suisse First Boston, Merrill Lynch Capital Markets, Salomon Brothers International and SG Warburg have been appointed agents for the European programme, and First Boston, Merrill and Salomon will be agents in the US.

The FNMA decision marks an important step in the development of the medium-term note market which, although well-established in the US, has been slow to take off in the Euromarkets. PepsiCo and General Motors Acceptance Corporation are the most prominent corporate names to have commenced programmes.

FNMA's programme, and a separate dollar-denominated bond issue which FNMA plans in the Tokyo market, are both designed to extend the FNMA's reach to international investors.

Mr Gary Perlin, the company's treasurer, said in London yesterday that the principal purpose of this was to interest those investors in the FNMA's regular domestic bond issues. It raises some $20bn annually in term debt markets and $10bn to $15bn in short-term funding.

An unusual measure to aid liquidity will be an option for investors in Euro-MTNs to convert their notes into domestic MTNs in the US.

The aim is to cater specifically for the perceived disaffection of Euromarkets investors with the illiquidity of the Eurobond market and their move into domestic bond markets. The FNMA feels that trading in its own US bonds has not benefited from this trend and that it should do so, given that the FNMA has highly liquid bonds of many maturities offering a yield pick-up over US Treasuries.

A further example of the extent to which the programme will be intended to attract Euromarkets investors is in the FNMA's planned pricing policy.

In the Euromarkets, the spreads over Treasuries at which FNMA will post daily rates will be about equal to those at which its bonds are trading in the US — that is, ranging from 10 to 15 basis points for two years to 35 for five years.

But on the US part of the programme, the spreads will be some 10 basis points lower, meaning that US investors will have to pay a premium for the benefit of being able to tailor an issue's structure specifically to their needs. The FNMA is anxious not to damage the liquidity of its existing bond issues by issuing too many domestic MTNs.

In addition, the FNMA has picked what it considers to be a fairly small group of dealers in order to give those dealers an incentive to make liquid markets. Mr Perlin defined liquidity as the ability to sell notes at close to current market rates — which are easily visible since FNMA has so many bond issues outstanding — and not as providing active trading in the MTNs.

The FNMA has previously made two Eurobond issues, each of $300m, in 1984 and 1985 respectively, but these were not well received in the markets, and the latest programme is designed to improve its image. It has also included international tranches in recent share offerings.

The FNMA, which has $100bn in assets, says it is often the second largest borrower in the US capital markets after the US Treasury. It buys mortgages from lending institutions, and issues and guarantees mortgage-backed securities. Though it is US-sponsored, its borrowings do not carry a government guarantee.

Kuwait to offer Treasury bonds

KUWAIT IS expected to announce within the next month that it will begin offering Treasury bonds, the first by any Gulf nation, AP-DJ reports from Manama.

Central bank and Finance Ministry officials are reported to have been working closely with a leading bank in Kuwait over the past four months to draft a bond issue designed to finance Kuwait's budget deficits.

Details of the structure of the bond offering have not yet been revealed, though Kuwaiti officials are expected to disclose them shortly. The announcement is expected by bankers in the Gulf to emphasise that the Kuwaiti authorities regard the bond issue as a means of broadening and deepening the local financial market, rather than as a means of financing the budget deficit.

The Central Bank of Kuwait has been offering Treasury bills, but these short-term borrowings are used mostly as a means of regulating liquidity in the Kuwait dinar market.

"The Arab mentality of being in debt is not easy to accept. Some people are going to ask, 'Why borrow when you have such huge reserves?'" one banker commented. "The answer is simple. They do not want to draw on those reserves."

The National Bank of Kuwait (NBK), in a recent study of capital reserves held by the six nations of the Gulf Cooperation Council (GCC), which groups Kuwait, Saudi Arabia, Qatar, Bahrain, the United Arab Emirates and Oman, said Kuwait's reserves stood at $86bn at the end of 1986 and around $89.7bn at end of the fiscal year to June.

Kuwait's capital reserves, according to the bank, also surpassed those of Saudi Arabia in 1986 for the first time. The Kingdom's reserves were reported at $80bn.

NBK predicted that Kuwait's reserves, which are invested mainly in the US and Western Europe, would rise to $91bn by next June.

Kuwait has had five consecutive years of budget deficits up to 1986. Last year, its 1986-87 budget included provisions for a record shortfall of KD1.38bn ($386m). The deficit may, however, be reduced by firmer world oil prices, since the government's budget was predicted on estimated oil revenue at an average price of $15 per barrel. Since the second quarter of this year, world oil prices have risen significantly above this level.

Some bankers in the Gulf believe that by offering a Treasury bond now, Kuwait may be taking advantage of an opportunity to lock in long term debt at attractive interest rates.

A successful Kuwaiti Treasury bond issue could encourage similar offerings by other Gulf Arab states. Other Gulf nations, such as Bahrain, have begun offering Treasury bills within the past year. The bills are used to finance budget deficits, as well as to help central banks adjust liquidity in the local currency markets.

Bahrain, for instance, can by law raise only BD 100m (US$265.25m) in public debt. The weekly Treasury bill offerings are currently limited to BD 2.7m.

It is not clear whether the Kuwait Government will place similar restrictions on its longer-term Treasury bond offering.

3M forecasts higher profits for 1987

MINNESOTA MINING and Manufacturing (3M), the US industrial and consumer products company, expects higher profits in the third quarter of 1987 and the full year, Reuter reports from Minneapolis.

The company's 1987 third-quarter performance will be aided by unit volume growth of more than 7 per cent and a gain of 6 to 8 cents a share from currency translations, 3M executives told financial analysts yesterday.

In the 1986 third quarter, 3M earned $215m or 94 cents a share on sales of $2.24bn. For all of 1986, the company reported income of $779m or $3.40 a share on sales of $8.6bn.

Mr Allen Jacobson, 3M's chairman, told analysts that the company is committed to meeting its financial objectives of 10 per cent or better annual growth in earnings per share, on average; 27 per cent or better return on capital; 20 to 25 per cent return on stockholders' equity and at least 25 per cent of sales from products introduced within the last five years.

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August, 1987

UK COMPANY NEWS

Gold Fields profits more than doubled at £244m

BY CLAY HARRIS

Consolidated Gold Fields, the mining finance house and construction materials group, yesterday reported pre-tax profits of £244.4m in the year to June 30, more than double the £110.9m achieved in 1985-86.

An £84.8m contribution from Newmont Mining, the US company which yesterday received a higher offer from an investor group led by Mr T. Boone Pickens, accounted for more than half of the advance. Gold Fields yesterday refused to make any further comment on the bid for Newmont, in which it owns 26 per cent.

With turnover barely changed at £1.11bn, Gold Fields increased operating profits to £283.3m (£164.1m). Mining accounted for £186.5m (£97m), construction materials—including three months of the American Aggregates acquisition in the US—for £83.6m (£69.7m).

More than two thirds of the contribution from Newmont reflected profits from the flotation of US and Australian gold mining subsidiaries. Of the decision to take these as operating profits, Mr Rudolph Agnew, chairman and chief executive, said: "We are as much a dealer in shares as any fund manager in the City of London."

However, Gold Fields' after-tax share of the write-offs resulting from Newmont's departure from North American copper operations resulted in a £28.7m extraordinary charge.

The geographical split of 1986-87 profits was close to the group's target of 30 per cent each from the UK and US and 20 per cent each from South Africa and Australia.

GFMC, the US mining subsidiary, contributed £26.2m (£6m) as the esquite gold mine in southern California achieved its first full year of production. Chimney Creek in Nevada is to come on stream this year.

Gold Fields has not made a final decision about the possible flotation of GFMC, Mr Agnew said. The advantages of introducing outside shareholders had to be balanced against the subsequent reduced cash flow to the parent.

Lower interest rates and the conversion of bonds reduced the net interest charge by 24 per cent to £34.6m. The tax charge rose by 88 per cent to £80.3m.

Earnings per share rose by 134 per cent to 82.2p (35.1p), but the final dividend was increased by only 12.5 per cent to 18p (16p). Gold Fields intends to pursue a policy of steady increases, rather than leaps followed by simply maintaining pay-outs, Mr Agnew said.

New shares are again being offered in lieu of cash dividend. Gold Fileds shares were unchanged yesterday at 1510p.

See Lex

Saatchi in further major US expansion

By Clay Harris

Saatchi & Saatchi, the advertising and business services group, is to pay an initial $42m (£25.7m) for Peterson, a US consultant specialising in preparation and analysis of expert testimony used in legal and regulatory cases.

The partners of the firm, which was founded in 1980, will receive additional payments of up to $142.5m based on profits in the five years to the end of 1990.

Peterson's litigation support services are intended to enable clients to assess claims and counter-claims in business disputes. Saatchi recently bought Litigation Sciences, which assists trial attorneys to develop strategies by understanding how decisions are made by jurors, judges and regulators.

With the two acquisitions, Saatchi claims to have captured the leading position in these segments of the US litigation support market.

Peterson in 1986 increased pre-tax income, after partners' notional remuneration, to $12.2m ($3.5m) on revenue of $47.9m ($27.4m). Peterson was unlikely to maintain the same rate of growth in 1987, but it had excellent prospects, Saatchi said. Second-half trading in the group as a whole was well in line with expectations.

David Churchill looks at the acquisition of Holiday Inn by Bass

Booking a place in the hotels race

ANYTHING Ladbroke can do, Bass can do as well if not better. That seemed the clear message yesterday behind Bass's £290m acquisition of the Holiday Inn chain outside North America and Mexico.

Having lost out in the race to acquire the Hilton International chain outside the US—which Ladbroke bought earlier this month for £645m—Bass yesterday surprised everybody by carrying out an exact replay of the deal by taking over the Holiday Inn business outside North America.

"It's very similar to the Ladbroke deal and it clearly shows Bass's keenness to develop further into the leisure industry," commented Mr John Spicer, a senior analyst with stockbrokers Kleinwort Grieveson, yesterday.

The move means that British companies who have no tradition in hotelkeeping are increasingly coming to dominate the international hotel industry outside the US. Apart from Ladbroke and Bass, Grand Metropolitan owns the 98-strong Inter-Continental hotel chain.

The UK's largest hotel company—and number eight in the world rankings—remains Trusthouse Forte with some 793 hotels worldwide.

But Bass, Ladbroke and relative newcomers such as Queens Moat Houses have clearly decided that hotels are firmly on the growth track for the 1990s.

Only a few years ago the international hotel industry was in the doldrums, a consequence of the world wide recession of the early 1980s when both business and leisure travelling was curtailed.

But booming economic conditions and strong growth in international tourism has given the hotel business a new lease of life. Even the short-term problems caused last year by Americans' reluctance to travel to Europe over fears of terrorist incidents has done little to dent this confidence.

"The outlook for the top end of the hotel business is very buoyant both in the short and medium terms," said Ms Marion O'Brien, head of research at hotel consultants Pannell Kerr Forster, yesterday.

For Bass, the acquisition of the Holiday Inn chain appeared to many analysts yesterday to be an inspired choice. "It's a very good move for Bass," confirmed Mr Martin Hawkins, an analyst with stockbrokers Kitcat & Aitken. "It propels the company into the major league of hotel chains."

Bass, Britain's biggest brewers, has considerable experience of the leisure industries through its drinks businesses, 7,000 pubs, and 800 Coral betting shops.

With the beer market showing signs of static growth, Bass has decided to develop in other leisure areas. Earlier this year it acquired Horizon Travel, the third largest overseas package tour operator, for £92m and last month consolidated this position by buying the Wings group of travel companies from the Rank Organisation.

Bass has been involved in hotels for a number of years through its Crest chain of 117 hotels. Crest is a mid-market hotel chain, aimed at the business and leisure travellers. Although mainly based in the UK, Crest has 18 hotels scattered throughout the major European cities but without any pretensions before now to be a major international chain.

The Holiday Corporation, however, is the world's largest chain with over 1,800 hotels in more than 52 countries and more than 350,000 rooms on offer.

The company was founded in the US under the Holiday Inns name in 1951 and developed throughout the 1950s as a value-for-money motel chain which took advantage of the expanding inter-state motorway system in the US. Through the use of franchising, the company grew rapidly in the '60s and '70s to emerge as the major hotel chain in the world. Sheraton, the second largest chain, has some 508 hotels and 142,000 rooms.

The company changed its name in the early 1980s to the *Holiday Corporation* to reflect the fact that it had diversified into other areas, such as restaurants and casinos, as well as operating other hotel chains under the Embassy Suites and Hampton Inns brand names.

Its decision to accept the Bass offer reflects a need to reduce its borrowings in the US and is also seen by some analysts as a defence technique against persistent rumours of a takeover bid.

Under the deal, Bass will acquire exclusive rights to the Holiday Inn name and trademarks outside the US, Canada, and Mexico. This consists of five wholly-owned or leased hotels and interests in another 185 hotels under joint venture, management, or franchise agreements.

Bass is likely to convert its Crest hotels in continental Europe into Holiday Inns but believes that the Crest chain can happily sit alongside Holiday Inn in the UK.

One question mark must remain, however, about whether Bass will still want to push ahead with plans to develop a new mid-price chain of Garden Court hotels which Holiday Inn has planned development in the UK. Most analysts yesterday felt there was room in the booming UK business travel market for both.

Strong US sales growth helps Fisons up to £44.6m

BY FIONA THOMPSON

OUTSTANDING sales growth in the US helped Fisons, the pharmaceutical, scientific equipment and horticulture company, to report record first-half profits yesterday.

Pre-tax profits for the six months to June 30, 1987, were £44.6m, 20 per cent higher than last year's £37.2m. Turnover rose 14 per cent to £373.7m against £327.8m.

The company declared an interim dividend of 1.53p compared with 1.27p last time. Earnings per share were 7p, against 6p.

Shares in Fisons yesterday fell 20p to 334p.

In the pharmaceutical division, profits rose 20 per cent to £27.1m, on turnover of £135.6m. Sales of Intal, used by asthmatics, increased by almost 40 per cent in the US and the drug is now market leader there. Wet weather in the UK, and in northern continental Europe, kept pollen down and affected sales.

There is no contribution from Tilade, the new respiratory drug, in these figures. Trials by doctors are being carried out in the UK; Holland, Belgium and Italy have approved the drug and it is awaiting approval in Germany. US approval is still about three years away.

Mr John Kerridge, chairman and chief executive, said that the drug continued to make good progress with hospital specialists, which was crucial.

The consumer health operation progressed well, with sales of products such as Sanatogen multi-vitamins increasing sales by 20 per cent or more.

In the scientific equipment *division profits* were 22 per cent higher at £11.1m on sales of £201.5m, up 16 per cent. "We want to improve the quality of earnings in this division," said Mr Kerridge.

On the horticulture side, profits were up 25 per cent to £4.5m on turnover of £36.6m. In North America the performance was particularly strong both in the market place and on the peat moors, where harvesting conditions were very favourable.

The UK's poor spring and early summer weather affected the retail market, but the own fertiliser range continued to increase market share.

"The quality of the horticulture division is very good but it's small," said Mr Kerridge. "Weather can hit the pharmaceutical division and it can ride it, but the horticulture side is too small to ride it." The tax charge was £10.2m, which includes overseas taxation of £5.9m.

Merchants Trust net assets up 26%

Net asset value of Merchants Trust as at July 31 increased 25.9 per cent to 217.6p per 25p ordinary on the January 31 year-end figure, or 44.9 per cent on 150.1p a year earlier.

Total revenue for the period increased from £4.11m to £6.04m and with interim earnings up 27.2 per cent to 3.12p (2.45p), the directors have increased the interim dividend from 2.1p to 2.52p; they have already forecast a total of approximately 5.4p compared with 4.5p for 1986-87.

A breakdown of equity investments by geographical area shows that 81.7 per cent is now invested in the UK compared with 74.1 per cent at the year end; 13.7 per cent is invested in North America compared with 20 per cent; 2.4 per cent is now invested in Europe compared with 4.1 per cent and the remaining 2.2 per cent (1.8 per cent) in the Far East.

Hazlewood purchase

Hazlewood Foods has made another acquisition in Europe. The fast-growing foods group, which raised £58m via a rights issue in June to fund its acquisition programme is buying Wafel Janssen and Eier Janssen for Fl15.7m (£4.67m).

The Janssen group, based in Schinnen in the Netherlands, produces a range of sweet waffles. Last year, it made pre-tax profits of £1.24m on turnover of £4.31m.

Hawtal suspended

Shares in Hawtal Whiting, the automotive design consultant, were suspended at 435p yesterday at the company's request pending a further announcement. Hawtal, which depends on General Motors for most of its business, made pre-tax profits of £4.34m on sales of £34.49m in 1986.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Abelscot ...int	1¶	Nov 2	—	—	3.5
Armour Trust ...	0.61	Jan 29	0.4	0.61	0.4
Benchmark ...	0.88†	—	0.88	1.63	1.63
Brixton Estate ... int	3	—	2.6	—	6.5
Burford ...	0.3‡	Dec	—	0.3	—
Cala ...	1.5	Oct 31	1.25	2.2	1.85
Chambers & Fargus ...	1.75	Nov 25	1.25	2.75	1.25
Consolidated Gold ...	18**	Dec 1	16	27.5	24.5
Croda ...int	3.4	—	3	—	8
Fisons ...int	1.53	Jan 4	1.28*	—	3.25*
Fitzwilton ...	1††	—	1	2	2
Hall Engineering ...int	4.6	Nov 5	4.08	—	10.05
Iceland Frozen ...int	1.45†	—	1.25	—	3.75
LASMO ...int	2.5	Nov 16	nil	—	7
Macro 4 ...	1.68	—	0.75	2.8	0.75
Magnolian Group ...int	1.4	Oct 12	1.25	—	4
Bernard Matthews int	0.63	Oct 30	0.63*	—	1.75*
Mayborn Group ...int	1.2‡	—	—	—	—
Merchants Trust ...int	2.52	Oct 30	2.10	—	4.5
Miller & Santhouse ...	1.6‡	—	—	2.35	—
Next ...sec int	2.5	Dec 11	—	—‖	5
G. H. Scholes ...	9.5	—	7.5*	14	11.5*
Scottish Herit ...int	2	—	1.6	—	4
Sigmax Inter ...	1.06	—	0.53	1.06	0.53
Stewart Wrightson int	nil	—	4.2	—	13
T & S Stores ...int	0.8	—	0.7*	—	1.75*
Top Value Ind ...int	1†	Nov 2	—	—	2.5
Willis Faber ...int	3.85†	Nov 6	3.5	—	10.75

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Third market. ‖ Making 4p to date in current 17-month period. ** Carries scrip alternative. †† Irish currency.

Hanson lifts Midland stake to 6.17%

Hanson Trust, the UK conglomerate, has increased its stake in Midland Bank by 1 per cent to 6.17 per cent. The group now owns 22m shares and has a further 6.8m on option.

Hanson, which first took a stake two weeks ago, has told Midland Bank that it views its stake as an investment in an undervalued company. The investment has fuelled speculation that Midland, the smallest of the big four clearing banks, could become a takeover target.

Brixton Estate rises 16% to £6m halfway

By Paul Cheeseright, Property Correspondent

Steady growth in earnings continued during the first half at Brixton Estate, the international property development and investment *group, leading to a 15 per* cent increase in the interim dividend.

Pre-tax profits for the six months to June were 16 per cent higher than for the same period of 1986 at £6.04m, Brixton announced yesterday. Earnings per share were 5.34p, up from 4.6p. The *interim dividend* is 3p.

The announcement left a relatively sluggish market in property shares unmoved. Brixton shares slipped slightly but closed 6p up at 265p after a late rally.

Rents have been rising in the industrial sector and this has come through in the figures which showed that Brixton's net rental income climbed to £12.07m during the first half, against £10.62m in the 1986 first half and £22.85m for the full year.

Finance charges in developed properties rose from £4.98m to £5.72m in the first half last year, but investment profits rose from £4.77m to £5.59m. This topped up with dealing profits of £450,000, largely from a dis- in Belgium.

The group is now well-launched into a phase of expansion which should secure further rises in investment income. Over the next 18 months about 1m square feet of new buildings will be completed. A considerable portion of the new space has been pre-let.

The development programme stretches from the City of London fringe to estates throughout the south east region, including High Wycombe and Dunstable.

Brixton noted that finances for all current developments had been secured through the *arrangement of* an unlimited sterling commercial paper programme.

Benchmark profits fall at year-end

Benchmark Group, financial services, yesterday reported *pre-tax profits* down from £1.48m to £1.33m in the year to June 30 1987. The final dividend is unchanged at 0.875p net for a same-again total of 1.625p.

The directors said the reorganisation of the business of Benchmark Trust Company's licensed deposit taker resulted in a *reduction in margins*, exacerbated by a more competitive market in lending.

Despite this, volumes were held to budget and the company's liquidity remans strong, backed by committed bank lines and by its own retail deposit base. Benchmark Farm Finance has also been reorganised *and is achieving* a higher level of profitability than previously.

Stated earnings per share were 2.61p (3p) basic, and 2.29p (3p) fully diluted.

British Gas denies Bow Valley meeting

Sir Denis Rooke, chairman of British Gas, has no plans to meet major shareholders in Bow Valley Industries, the Canadian company for which British Gas is bidding, a spokesman for the British company said yesterday.

Reports from Canada had suggested such a meeting would be held to solicit support for the takeover. British Gas said Sir Denis would be setting out this week on a tour of the US, Canada and Japan to discuss the group's annual results, but there was no connection between this and the Bow Valley bid.

Further Wrightson departures

BY NICK BUNKER

FOUR MORE high-ranking executives of Stewart Wrightson, insurance broker, are to leave the group in the wake of its merger with Willis Faber the UK's second biggest quoted Lloyd's broking group.

The news—less than a week after the resignation of Mr Alan Colls, another Wrighton director—worried some analysts who saw the departures *as a possible blow* to the combined organisation.

It came on top of disappointing interim results from Willis, where pre-tax profits slipped five percent to £45.5m for the six months to June 30, short of the City's forecasts of about £50m. Willis's shares closed down19p at 356p.

Wrighton, which reported separate results showing an 8 per cent rise in the interim pre-tax *figure to £13.2m, lost 18p* to close at 544p.

Willis declared an interim dividend on the group's enlarged capital up 10 per cent from 3.5p to 3.85p. Earnings per share were 16.81p (17.07). The equivalent figure for Wrightson grew 10 per cent to 17.51p.

Mr *David Palmer*, Willis Faber's chairman, said it had become "increasingly clear" that the cyclical increases in insurance premium rates which began in 1984 had peaked and that in several areas rates were now turning down.

In the aviation business, Mr Palmer said there were reports "almost daily" of premium rates being cut 20 or 30 per cent.

Mr David Rowland, Willis's new joint deputy chairman, named the four men leaving the group as Mr George Boden, Mr *Tony Keys*, Mr Jeremy Wagener and Mr John Sicely. All except Mr Sicely were main board *directors of* Wrightson.

Mr Rowland said none of the men had been asked to leave but because of the merger there was obvious duplication of some functions. Mr Wagener and Mr Sicely were Wrightson's finance director and company secretary respectively.

Mr Tony Keys, a former stockbroking insurance analyst, who was widely regarded as Wrightson's main strategic thinker, *was group development director.* Mr Boden was deputy chairman of Stewart Wrightson Limited, the group's main operating subsidiary. Both men have agreed to co-operate until the end of 1988 in helping to merge the two companies.

Willis is also expecting to announce within the next month details of *the first redundancies* resulting from the merger, but Mr Palmer firmly rejected suggestions that as many as 1,600 of the combined group's 4,500 might have to go.

Willis's figures showed a 10 per cent increase in brokerage revenue to £77.2m, but a 2 per cent drop in underwriting *agencies' fees* and commission to £7.2m. Investment income grew 5 per cent to £11.2m.

Expenses rose by 9.5 per cent to £61.4m. Willis was hit however by a £637,000 loss by its insurance company subsidiaries. Its 20 per cent stake in Morgan Grenfell, the merchant bank, produced pre-tax profits of £9.53m, down from £11.1m last year. Willis's after-tax profits fell by 2 per cent to £29.1m.

Wrightson reported 11 per cent growth in brokerage income to £49.3m. There was a "substantial increase" in the UK from business arising from the US.

● *comment*

There are times when Willis must almost envy the privately-*held status of Johnson &* Higgins, its genteel New York broking partner. Recent very public bad news at Willis has also included official confirmation that the current merger has triggered the departure of Nicholson Stewart Wrightson, an aviation broker which gave Wrightson £1.6m pre-tax in the first half. And even assuming that no more executives will take their leave, Willis has hit *industry-wide problems sooner* than it or the City expected. True, Willis has already curbed expenses growth, even before the forecast feed-through of computer and staff savings from the merger. But the stagnation worldwide in the growth of insurable interests—like new ships, aircraft or big *industrial* plant—bodes doubly ill for brokers like these at a time when competition among *underwriters is putting* pressure on US inurance pricing. Iven that Willis is using acquisition accounting for the Wrightson merger, analysts' full-year pre-tax profits forecasts for the combined group are mere sketches at best. On reasonable earnings per share estimates of 24.25p, the prospective *p/e is 14.6*: a little exposed.

Town Centre chief considers legal injunction

By Paul Cheeseright, Property Correspondent

MR ARNOLD ZIFF, chairman of Town Centre Securities of Leeds, is considering application *for a legal injunction* to prevent Lister, the textiles group, from selling a London *office property* to Randsworth Trust for £15.3m.

He said yesterday that this is the last step available to him in his bid to have tendering for the building re-opened. Town Centre Securities is prepared to pay £16m, for the building, called Prospect House.

Prospect House in New Oxford Street is Lister's largest investment property and its planned sale, designed to reduce debt and to provide funds for investment in the mainstream business of the company, is subject to shareholders' approval.

Lister decided on the sale last February. Drivers Jonas, the chartered surveyors, fielded enquiries for the building and selected a short-list of ten to bid for it. Mr Justin Kornberg, the chairman, said there were 450 enquiries.

One of those came from Town Centre Securities, which last April provided details of its finances, a confirmation of its ability to fund the purchase — from a recently issued debenture stock — and undertook to hold the building as an investment. But the company was not invited to put in a bid.

Mr Ziff is arguing that shareholders are entitled to receive the highest price available for the building. Lister, however, has written to shareholders explaining that the Randsworth offer is a contractual arrangement subject only to their approval. It is therefore more sure than that of Town Centre Securities which is subject to contract and can therefore be withdrawn.

Town Centre Securities has written to all Lister shareholders urging them to vote against the sale to Randsworth, recommended by the Lister board, at an extraordinary *general meeting* on September 18. Mr Ziff who owns 4,000 Lister shares, plans to be there himself.

Weather dents Bernard Matthews profit

Exceedingly bad weather this winter helped depress first-half profits at Bernard *Matthews*, the Norfolk-based manufacturer of poultry, beef and lamb products.

Pre-tax *profits* for the 28 weeks to July 12 declined from £7.01m to £6.11m, on turnover up £2.4m to £65.8m. Earnings per share fell from 3.51p to 3.12p, and the dividend was unchanged at 0.625p.

● comment

When Mr Matthews revealed his company's full year results in March, he warned that the weather had been "extremely inclement" and that first half figures would be affected accordingly. The share price then fell 25p, to 141p. The shares fell again yesterday — by 18p, to 155p. This was not because the fall in profit was more severe than people expected — but because it materialised only yesterday that exports into Canada are to be nipped in the bud, just at the point where costs are set to increase with the introduction of new products. Thus: *static profits this year* — and the US licensing agreement with Sara Lee is unlikely to bear fruit until 1989. At the closing price yesterday, the shares are on a prospective multiple of 20 if the company duplicates last year's result — a substantial premium to the food manufacturing sector, explained by perennial bid rumours and difficult marketability.

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16th September, 1987

GRANVILLE

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High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E
206	133	Ass. Brit. Ind. Ordinary ...	203	—	7.3	3.6	12.4
208	145	Ass. Brit. Ind. CULS ...	203	—	10.0	4.9	—
41	34	Armitage and Rhodes ...	38	− 1	4.2	11.1	5.3
142	67	BBB Design Group (USM) ...	105xd	—	2.1	2.0	16.7
173	108	Bardon Group ...	173	—	2.7	1.5	29.6
182	95	Bray Technologies ...	182	—	4.7	2.6	14.6
287	130	CCL Group Ordinary ...	287	+ 2	11.5	4.3	6.8
142	99	CCL Group 11pc Pref. ...	142	+ 1	15.7	11.1	—
171	136	Carborundum Ordinary ...	169	—	5.4	3.2	14.7
102	91	Carborundum 7.5pc Pref. ...	102	—	10.7	10.5	—
139	87	George Blair ...	139xd	+ 1	3.7	2.7	3.6
143	119	Isis Group ...	120	—	—	—	—
83	59	Jackson Group ...	83	—	3.4	4.1	9.2
1,180	321	James Burrough ...	1,110	−40	18.2	1.6	25.2
130	95	James Burrough 9pc Pref. ...	130xd	+35	12.9	9.9	—
780	500	Multihouse NV (AmstSE) ...	505	—	—	—	20.0
698	351	Record Ridgway Ordinary ...	598	+ 8	1.4	—	12.1
87	83	Record Ridgway 10pc Pref. ...	87	—	14.1	16.2	—
91	68	Robert Jenkins ...	87	− 1	—	—	3.0
124	42	Scruttons ...	124sus	—	—	—	—
220	141	Torday and Carlisle ...	221	+ 1	6.6	3.0	10.7
42	32	Trevian Holdings ...	42sus xt	—	0.8	1.8	3.9
131	73	Unilock Holdings (SE) ...	103xd	—	2.8	2.7	19.0
221	115	Walter Alexander (SE) ...	218xd	− 3	5.9	2.7	16.1
199	190	W. S. Yeates ...	199	—	17.4	8.7	19.9
175	96	West Yorks. Ind. Hosp. (USM)	140	—	5.5	3.9	14.9

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Granville & Company Limited, 8 Lovat Lane, London EC3R 8BP, Telephone 01-621 1212, Member of FIMBRA

Granville Davies Coleman Limited, 27 Lovat Lane, London EC3R 8DT, Telephone 01-621 1212, Member of the Stock Exchange

Croda

Record result

Unaudited interim report 28 June 1987	1987	1986
Profit before tax	£14·2m	£11·8m
Earnings per share	7·97p	6·34p

- Pre-tax profit up 20%
- Earnings per share up 25%
- Interim dividend 3·4p up 13%

Croda

Croda International Plc, Cowick Hall Snaith Goole North Humberside DN14 9AA

Guinness Peat talks on terms with Equiticorp

BY TERRY POVEY

Guinness Peat Group and Equiticorp have begun talks that might lead to an agreement on terms for the New Zealand banking and investment group to takeover the UK company.

Following a series of board meetings, GPG's directors have been in contact with Equiticorp. However, an improved offer from 35.6 per cent shareholder Equiticorp is still a sticking point.

Three weeks ago the New Zealand group launched a 110p-a-share bid valuing GPG at £338m. The GPG board is adamant that the 110p bid is unacceptably low and is exploring all possibilities to obtain an improved offer.

On the stockmarket yesterday brokers Kleinwort Grieveson, apparently acting on behalf of Mr Robert Maxwell, the printing and publishing magnate, bought 700,000 GPG shares at 117p each. However, even if all the shares acquired by Kleinwort over the past two days were purchased by Mr Maxwell, his holding in GPG would not be much over 1 per cent.

It is not clear whether Mr Maxwell will attempt a last minute bid—at the weekend Mr Alastair Morton, the UK banking and fund management group's executive chairman, appeared to favour Mr Maxwell over the New Zealanders.

Any deal would probably result in changes at GPG and it is expected that Mr Morton would resign from the UK company's board. Mr Morton is also joint-chairman of the Eurotunnel project.

The attitude of the Bank of England to any takeover of GPG by Equiticorp was examined at a meeting with official yesterday. Under a new Act which comes into force in two weeks the Bank has powers to vet holders of major stakes in UK banks, even to force those it objects to sell down to beneath the 15 per cent level.

The Bank is believed to have reiterated its position that it has yet to approve or disapprove the Equiticorp stake in GPG.

Spalvins has 5% of Royal Insurance

By Nick Bunker

Mr John Spalvins, the Australian-based financier, has built up a five per cent stake in Royal Insurance, the biggest UK based property/casualty insurer.

A Stock Exchange announcement late yesterday afternoon confirmed that a company named Jomet Proprietary had notified Royal of ownership of 23.8m shares, or 5.01 per cent.

The announcement said that Adelaide Steamship, of which Mr Spalvins is chief executive, had "an interest in the shares." Jomet has since bought a further 500,000 bringing its total stake to 5.12 per cent.

Royal's shares gained 13p yesterday to close at 567p, after an earlier 15p rise on Monday. Last night's announcement followed many weeks of market speculation that Mr Spalvins or other Australian investors were building stakes in the company.

Executives at the Royal could not be reached for comment last night.

Mr Spalvins has been emerging in the last year as a prominent stock market figure in London. Last November, Adelaide Steamship, an industrial holding company, disclosed a stake in Blue Circle Industries, the cement manufacturer, which it built up to 9.6 per cent then sold at a profit

Thorn EMI in £64m acquisition

BY DAVID THOMAS

Thorn EMI, the diversified electronics and retailing group, is to acquire five consumer electronic rental companies on the Continent from the Granada Group for £64m.

The acquisition fits into Thorn's strategy of expanding its international rental operations, which received its greatest push in July when Thorn announced the £371m acquisition of Rent-A-Center of the US.

The Granada companies acquired by Thorn operate in Denmark, France, Spain, Italy and Switzerland. They service 240,000 rental customers from 45 outlets employing over 500 people.

The sale price is made up of £53m in cash, including dividends of £6m to be paid by the companies to Granada after completion, plus £11m of local borrowings which Thorn will take over from Granada.

The net assets of the companies are estimated at £37m at the end of August. They are expected to make pre-tax profits of just over £3m on sales of under £40m this year.

Mr Colin Southgate, Thorn chief executive, said that by combining the companies with Thorn's existing Continental operations and by running them more efficiently, Thorn hoped to bring them up to at least the profit levels being achieved in its other international rental businesses. This would mean profits of £8.37m in the first full year.

Thorn said the acquisitions would consolidate its position as market leader in the rental sector in Denmark and would make it market leader in France. They also opened up Italy and Switzerland as new markets.

Mr Derek Lewis, Granada finance director, said the businesses were peripheral to its core rental and retail activities concentrated in the UK, Canada, West Germany, France and the US.

Mr Southgate said further rental acquisitions on the Continent were now unlikely, though they could not be ruled out, particularly in West Germany.

Heinz president to head Keep

BY DAVID WALLER

Dr Anthony O'Reilly—the President of H. J. Heinz, former Irish rugby international and noted raconteur—is to become chairman of Keep Trust, the industrial holding company whose shares were yesterday relisted at a substantial premium after three week's suspension.

His appointment accompanies a transaction whereby Fitzwilton, a Dublin-based investment company in which "Tony" O'Reilly owns a 10 per cent stake, has acquired a 30 per cent holding in Keep, for £11.75m.

Keep's shares—which had gained sharply prior to the suspension price of 515p—added 113p to close yesterday at 628p. This will give the group—which operates motor dealers and makes equipment for playgrounds and abbatoirs—a market capitalisation of over £60m, if the 2.94m new shares sold to Fitzwilton are taken into account.

"This takes us into a different league," said Mr Greville Howard, who is to stand down from his post as Keep's chairman to become executive deputy chairman. "We will benefit from Dr O'Reilly's contacts, his renowned expertise as a manager, and his access to capital, as we seek to expand our motor-dealing business."

Keep achieved pre-tax profits of £2.71m on turnover of £77.7m in 1986. It originated as an authorised investment trust, a status which it forsook in 1982.

Fitzwilton, which yesterday announced interim pre-tax profits of £1.2m (£0.92m) on turnover of £45.8m (£38m), is to pay for its stake in Keep by placing of 10.9m new shares. It intends to raise ££2.3m by issuing a further 2.2m shares, for which existing shareholders will be able to apply in the ratio of one for every 10 held.

Dr O'Reilly, who was unavailable for comment yesterday, was appointed President of Heinz—which made profits of $565m in the year to the end of April—earlier this year.

Top Value acquisition

Top Value Industries, clothing manufacturer, is paying an initial consideration of £3m for Continental, a Manchester-based company selling women's and children's fashion accessories.

A further £1m may become payable depending on Continental's taxable profits in 1987, 1988 and 1989. The initial payment will be satisfied by the issue of 2.87m new ordinary shares.

Top Value also yesterday revealed that taxable profits rose from £290,000 to £467,000 on turnover up from £4.4m to £5.61m in the six months to June 30 1987.

The company is paying an interim dividend of 1p. Last year it paid only a final of 2.5p.

Neil Scott chooses Spectrum

BY STEVEN BUTLER

Mr Neil Scott, who departed as chairman of Owners Abroad, the travel company, in April, has lit on the Spectrum Group, the computer and computer supplies distributor, as the vehicle to get back into the leisure industry.

Spectrum's shares leapt 26p yesterday to close at 128p following the announcement that Mr Scott had taken a 22.5 per cent sstake in the company in a consortium with Standard Chartered Merchant Bank and others, and was joining the board.

The shares have now more than doubled sinee the start of the month.

"Spectrum is a very clean shell," said Mr Scott yesterday.

Mr Scott said he had three acquisitions in mind for the company, to be made by the issue of shares, that would bring in annual profits of about £2.5m. These include Crucible Snooker, a snooker chain in which Mr Scott has a 40 per cent interest, Yankee Doodle, a hamburger, hot dog and drinks company, and a restanrant chain.

Mr Scott said it had been agreed that he would become chairman of Spectrum after the first acquisition.

"We want to be a leisure company with a strong compter and computer consumable business," he said.

Spectrum also announced the acquisition of March Data, a distributor of computer consumables and office supplies, for up to 2.1m ne wshares, worth £2.69m at yesterday's prices. March Data had pre-tax profits of £64,665 in the year to the end of November 1986 on a turnover of £2.97m.

Spectrum reported a £286,000 pre-tax loss in the six months to the end of December 1986.

Evered rationalising London and Northern

BY NIKKI TAIT

Evered Holdings, the aquisitive industrial conglomerate headed by the Abdullah brothers, yesterday announced that it is buying-out the minority holdings in two former London and Northern subsidiaries, disposing of four more, and closing another.

Evered acquired L and N after a £100m bid battle last April, and last week announced the effective sale of its troubled healthcare operations.

Yesterday, Mr Raschid Abdullah, Evererd's chairman, said that still more disposals were likely to follow—17 separate transactions were currently underway, including the sale of cellular radio business, Tactico, which was being "auctioned" by advisers, Robert Fleming, and down to the short-list stage.

At the end of the day, said Mr Abdullah, Evered envisages retaining L and N businesses accounting for around £150m-£170m of its former £250m sales. Among the principal interests expected to remain within Evered were the US quarry business, Rockville Stone, and quarry interests in the UK; Fletcher Holdings, the UK builder; Tractor Shovels, on the civil engineering side; and Weatherseal Windows.

The disposals included Almond Fabrications, McMillan Offshore, PCL Packaging and Welders and Compressors. The amount raised, said Evered, was around the £3m-£4m mark.

BBA promotes merger

BY MIKE SMITH

BBA, the acquisitive motor components and industrial materials group, yesterday took on the role of marriage broker.

After taking a 12.4 per cent stake in United Spring and Steel, the spring manufacturer, BBA said it was promoting talks aimed at a merger between United and Ratcliffe Industries.

BBA has a 23.6 per cent stake in Ratcliffe which is acquired last year by selling it its own spring business as part of a programme to concentrate on core activities.

If the mergr.r is successful BBA would hold about 20 per cent of the combined group.

BBA bought its United stake from Mr Brian Fenwick-Smith, company chairman, in exchange for 1.16m BBA shares. Mr abroad, said yesterday that Fenwick-Smith, who lives United needed more active management. He would remain chairman during the negotiations.

BBA's move is aimed at protecting its investment in Ratcliffe. Mr Mitchell rulled out a bid for the two groups.

Shares in United rose 16p to 127p. BBA was steady at 230p and Ratcliffe gained 2p to finish at 150p.

Merrett hit by commissions

The interim results of **Merrett Holdings**, Lloyd's underwriting group, were affected, as anticipated, by a decline in profit commission received from its managed syndicates.

Pre-tax profits for the six months to June 30 fell from £5.03m to £3.93m, although total turnover was ahead at £6.07m (£5.68m).

Mr Stephen Merrett, the chairman, said that the profit commission, which fell from £4.05m to £2.61m was a major factor in the result. However, underwriting agency salaries increased to £2m (£1.61m) and there was a first time contribution to turnover of £1.48 mfrom the recently acquired loss adjusting activities.

As most of the group's profit comes in the first half, the chairman anticipated that the full year result would be in the region of £4.5m (£5.31m).

Tax was £1.77m (£2.53m) and there was a £226,000 extraordinary credit. Earnings per share fell to 10.77p (12.47p) basic and 10.02p (11.65p) diluted.

Sumitomo Forestry Co., Ltd.
(the "Company")

U.S. $20,000,000

3⅞% Convertible Bonds
Due 1999

Pursuant to Clause 7, Sub-Clauses (B) and (C), of the Trust Deed dated 12th April, 1984 in respect of the above issue, notice is hereby given as follows:-

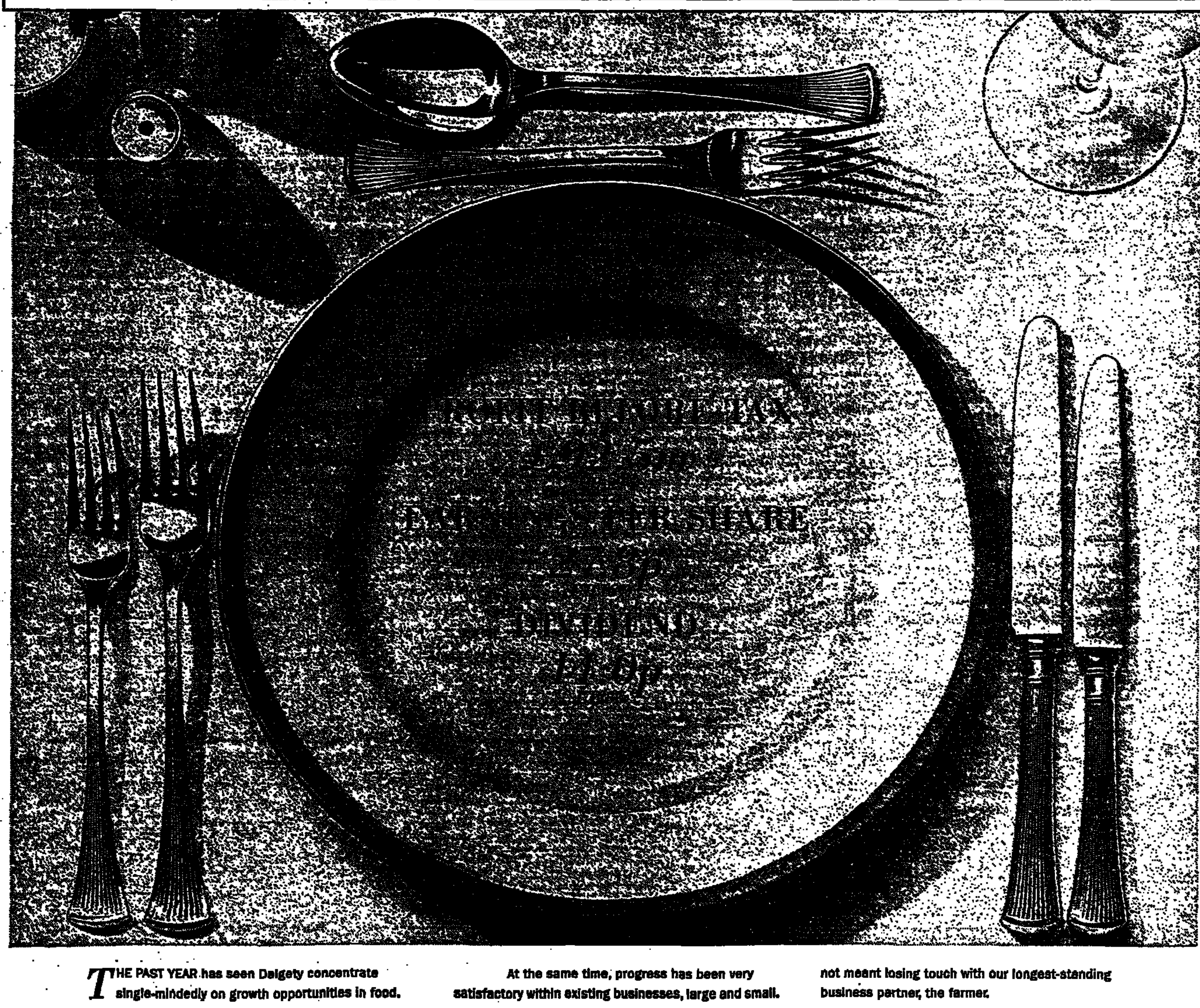
1. On 1st September, 1987, the Board of Directors of the Company resolved to make a free distribution of shares of its common stock to shareholders of record as of 30th September, 1987 (Japan time), at the rate of 0.1 share per one share held.

2. Accordingly, the conversion price at which the bonds may be converted into shares of common stock of the Company will be adjusted effective 1st October, 1987 (Japan time). The conversion price in effect before such adjustment is Yen 628.00 (per share of common stock) and the adjusted conversion price will be Yen 570.90 (per share of common stock).

16th September, 1987

The Sumitomo Bank, Limited,
Principal Paying Agent

BUILDING OUR STRENGTH ON ALL THE RIGHT FOOD.



THE PAST YEAR has seen Dalgety concentrate single-mindedly on growth opportunities in food.

£71m has been raised from sales of businesses that do not fit the strategic plan, and £85m spent on acquiring new companies, principally in high value-added food products.

Of these, Golden Wonder gives us a major *stake in one of the fastest-growing sectors in the U.K.* food market, crisps and snacks, and through the Dutch company, a bridgehead into the European snackfoods market.

Overall, Golden Wonder has contributed more than £8m trading profit for its nine months in Dalgety.

At the same time, progress has been very satisfactory within existing businesses, large and small.

Spillers, for instance, has exceeded expectations in the fast-expanding petfoods market, increasing the combined volume sales of two key strategic brands, Winalot Prime and Kattomeat, by over 25%.

In all, Dalgety's food operations accounted for 47% of turnover and 42% of profit in 1987.

They now range from food ingredients and food manufacture in Europe and the United States, to fast-food distribution in North and South America, though this increasing focus 'on the housewife' has not meant losing touch with our longest-standing business partner, the farmer.

In agribusiness, trading profit is up 12% to £30.8m, compared to £27.6m last year.

Concluding his review of the year, Chief Executive Terry Pryce commented:

"We are fit and lean and ready to move forward *along our chosen route. The prospects for Dalgety* are very good."

For a full copy of our Report and Accounts, to be published next month, please write to Shareholder Relations, Dalgety PLC, 19 Hanover Square, London, W1R 9DA.

DALGETY

BUILDING OUR STRENGTH ON ALL THE RIGHT FOOD

UK COMPANY NEWS

Next up 47% and looks to expand financial services

Next, the fast-growing retailing and mail order group, yesterday announced a 47 per cent increase in pre-tax profits for its latest six months—from £20.6m to £30.2m.

Mr George Davies, the chief executive, also disclosed plans to expand its financial services operations—it is looking at the possibility of selling unit trusts—and said he also hoped to sell off the 105-shop Allen's chemists chain, acquired during the takeover of Combined English Stores, in the next few weeks, which could raise about £40m.

But he said he had no interest in any part of the Storehouse retailing business — which is under threat of a break-up bid from property group Mountleigh. The takeover of CES during the summer had already given it a good platform for expansion. It was also announced that Mr Davies will combine the roles of chairman and chief executive from October.

Next is moving to a January 31 year end and the figures given yesterday represent the second reporting stage in an extended 17-month period.

In the six months to July 31 pre-tax profits totalled £30.2m on turnover of £320m. That compares with pro-forma profits of £20.6m on turnover of £216m in the same period of 1986, after adjusting the figures to include Grattan, the mail order business Next acquired for £300m in July 1986. Tax took £10.6m (£7.6m), leaving attributable profits up 50 per cent at £19.6m.

High Street retailing showed a 57 per cent advance—from £7.1m to £11.1m, with home shopping accounting for £13.4m (£8.8m). Financial services made profits of £4.2m (£3.8m) and property £4m (£3m). Earnings per share were up 37 per cent to 7.28p.

For the 11 months to July 31 Next produced pre-tax profits *of £60.3m on turnover of £578m*, against profits of £25.8m in the same 11 months the previous *year on turnover of £152m*—unadjusted for the Grattan takeover. Tax took £21.1m (£9.9m), producing earnings per share of 15.05p (11.35p). CES and Dillons, a newsagents' chain acquired during the summer, contributed £3.4m to the pre-tax profit total.

There is a second interim dividend of 2.5p, making 4p for the 11 months. That is less than the 5p paid in the 12 months to August 1986, but the company said it had brought forward the payment date by a month and it intended to pay the final dividend in June 1988 slightly earlier than in the past.

The company said the autumn season had started well and Mr Davies pointed to a number of important initiatives in train, including the launch of its "new concept in home shopping" next January, the start this month of its childrenwear chain, and the launch of new menswear stores

See Lex

Cala boosts its profits by 41% to £4.4m

Cala, Edinburgh-based housebuilder and property developer, lifted taxable profits 41 per cent from £3.11m to £4.39m on turnover up sharply from £28.17m at £42.39m in the year to June 30, 1987.

The directors said that they were proposing a final dividend of 1.5p—up from an adjusted figure of 1.25p last time—to give a total of 2.2p (1.85p) for the year. Tax took £1.57m (£1.19m) after which earnings emerged up from 8.59p at 10.32p.

Mr Geoffrey Ball, chairman, said that all operating units other than Aberdeen had traded ahead of expectations and the company now had a wide spread of profits which promised well for the future.

Behind the figures lay a year of considerable expansion, continuing investment for future growth and the absorption of costs brought about by the decline in Cala's original market in Aberdeen.

In January, Cala acquired for £7.4m Dominion Homes, the housebuilding subsidiary of Dominion International.

LASMO net income jumps 57%

BY LUCY KELLAWAY

London and Scottish Marine Oil, the independent oil company, increased net income by 57 per cent to £10.2m from £6.5m for the six months to June 30 1987, and reinstated its interim dividend at 2.5p.

Pre-tax profits doubled from £10.3m to £20.7m and there was a substantial increase in earnings per 25p share to 5.6p (3.4p).

The advance occurred despite reduced turnover, which fell from £87.8m to £75.4m, as a result of lower production from the North Sea, where output has been effected by heavy maintenance programmes. The figures show much lower expenditure on exploration and development—cut from £41m in the first half of last year to £27m in the face of lower oil prices—and a lower amortisation charge.

Mr Chris Greentree, chief executive yesterday squashed recent rumours of a merger with Enterprise Oil, in which LASMO holds a 22.4 per cent stake. He said the company was not yet prepared to "lash out on major acquisitions," and warned against forecasting a rising oil price next year.

During the first half LASMO made 12 new discoveries including an important find in Australia, which the company said could contain between 170 and 420 bcf of gas. Four new developments were underway, including the Audrey gas field in the North Sea and the 67m barrel Kurau field in Indonesia.

Further progress was made in reducing net debt, which was cut from £13m at the end of last year to £109m. The tax charge of £10.5m was a large increase on the £3.8m charge in the first half, and the 13.2m tax release for 1986 as a whole. The contribution from Enterprise recovered sharply from £0.4m to £8.4m.

● comment

The fact that the market reacted neither to the Stock Exchange's first attempt at reporting LASMO's results yesterday—which showed a large fall in profits—nor to the corrected version, indicates that its attention is elsewhere. With only three months to go before RTZ can bid for the company if it chooses, LASMO once again finds itself the favourite takeover candidate in the sector, with the market only too happy to dream of the lovely conglomeration of a three-way link encompassing Enterprise. These results demonstrate the strength that LASMO could bring to such a party: its wholesale withdrawal from expensive North Sea oil exploration last year was matched by notable successes overseas, from where increased production will more than offset the North Sea decline. Given its continued ability to increase reserves, LASMO justifies a fattish premium to asset value, although yesterday's price maybe attributing to RTZ more generosity than it possesses.

Scottish Heritable up 58% at midway

BY MIKE SMITH

Scottish Heritable Trust, the acquisitive conglomerate whose subsidiaries include Standard Fireworks and the world's largest wholesaler of oriental carpets, yesterday unveiled interim profits 58 per cent ahead at £3.2m. Earnings per share rose by nearly a fifth from 5.2p to 6.2p.

Mr Robin Garland, managing director, also said that the group was considering the sale of its sand and gravel quarrying interests which SHT bought four years ago when it acquired his private company Claxton and Garland.

Although quarrying had increased profitability in the half-year to June 30, Mr Garland said it could not produce the kind of growth required by SHT. The group's aim was to be in niche businesses but this was not possible in sand and gravel.

Other divisions which increased profits were floor coverings and house-building, and there was a "good contribution" by Haven Homes, builder of factory-made homes, in the US.

Profitability of the engineering, property and packaging divisions was similar to last year and pyrotechnics and textiles both lost money because of the cyclical nature of their business.

SHT has recently bought a 30 per cent stake in North American Housing Corporation and an option for 19 per cent of another house builder Washington Homes. Mr Garland said the aim was to take control of all its American housing interests under the banner of Washington Homes, whose quote would none the less be retained.

Gearing is less than 50 per cent but it will rise to above that level if SHT pays for the 19 per cent of Washington with cash.

Profits were struck on turnover of £39.34m (£20.53m) and tax was £1.14m (£684,000). An extraordinary provision of £410,000 was made as a result of withdrawal from textile merchanting.

The dividend was lifted from 1.6p to 2p.

● comment

SHT has just re-invested the wheel, the Catherine wheel that is. A cheaper, safer version of the firework will soon be on sale as the company steps up its drive to modernise its new Standard subsidiary. More radical change means that in three years more fireworks should be produced by half the staff. Heavy spending on new technology mean Standard's profits are likely to be fairly static this year but SHT shareholders can look for strong growth, particularly in the US, from Oriental carpets and in housebuilding. Herein lies the SHT philosophy. Although its subsidiaries have little or no synergy with each other, they can shield each other from hardship by their diversity and together they can produce stronger than average growth. In the five years since Robin Garland took the helm the formula has worked and the shares have outperformed the market. But for some investors the group's range of businesses is confusing and, with profits of £9.5m in view for the year, the shares are fully valued on a prospective p/e of 16½.

Falcon advances 84% after reorganisation

THE REORGANISATION and disposal of its loss-making businesses *has given Falcon Industries* a new vitality, Mr Michael Hindmarch, chairman, said yesterday. *For the half year to* June 30, the building and plastics group achieved an 84 per cent increase in pre-tax profits, from £502,000 to £924,000.

Although turnover fell from £18m to £13.42m, operating profits came out ahead at £1.11m (£911,000) before lower interest charges of £189,000 (£409,000).

There is again no dividend payment, but the chairman said that with regard to dividend expectations for the full year, it was the intention of the *directors to recommend a dividend* on the ordinary shares if, as expected, the full-year result *is satisfactory. At that time* the company would also expect to pay the preference dividend with the arrears.

All companies in the building division were busy during the period, he reported, with orders including the £8.1m order for accommodation buildings at the Sizewell B power station.

Tax took £161,000 (£9,000), and after *minorities of* £1,000 (same) earnings per share worked through at 2.5p (1.6p).

Burford profits advance 56%

Burford Group, involved in property investment and trading, which joined the USM *earlier this year, announced* pre-tax profits 56 per cent ahead to £773,000 in the year to June 30 1987.

As indicated in the prospectus, *the dividend is 0.3p, to be* paid from increased earnings of 5.3p (3.9p).

The directors reported that the current year had started well and were confident of a satisfactory outcome as a result of the recent trading and investment acquisitions.

Turnover for the year rose 32 per cent to £5.27m (£3.98m). Net interest payable was £2.32m (£1.41m). Tax *took* £273,000 (£199,000) and minorities £52,000 (£1,000).

Western Motor little changed in first half

Western Motor Holdings *increased profits by only* 1.2 per cent to £412,000 on turnover up 6 per cent from £5.1m to £5.39m *for the six months ending June* 30, 1987.

But Mr Geoff Bizley, chairman, said yesterday that the company was set to benefit from a new management team, record vehicle registrations in 1987, an acquisition programme and improved margins in the second half.

Since the end of the half-year WMH had completed its acquisition of Penta in a £13.3m transaction. Penta pre-tax profits *amounted to £1.3m* (£380,000) in the six months to March 31 1987 and Mr Bizley said the increase confirmed the value of the acquisition.

The two other acquisitions were 75 per cent of Drive Technical Centres, an all-make car servicing operation, and 76 per cent of R. J. Hoare Leasing, a contract hire and leasing company.

Taxation amounted to £77,000 (£18,000) and extraordinary costs £134,000 (nil). Earnings per 25p share were reduced to 11.6p (13.5p).

Abelscot passes £0.5m halfway

Abelscot Group, supplier of graphic materials and equipment and one of the first entrants to the Third Market, lifted its turnover from £1.98m to £2.32m and pre-tax profit from £281,000 to £510,000 for the first half of 1987.

However, that should be offset by continuing growth in trading and benefits from the Royal Sovereign acquisition. Earnings for the period were 10.9p (7.1p) and there is an interim dividend of 1p.

Chambers & Fargus profits surge ahead

CHAMBERS AND FARGUS seed crusher and edible oil refiner, more than doubled taxable profits from £291,000 to £626,000 on turnover down from £17.13m at £16.51m in the year to June 27, 1987.

The directors proposed a final dividend of 1.75p (1.25p), making a total of 2.75p (1.25p) for the year. Earnings per share moved up sharply from 3.83p to 10.78p after increased tax charges of £231,000 (£64,000).

They said that sales in volume terms increased substantially both in the oil seed crushing and edible oil refining operations, but in volume terms total turnover was lower as a direct result of reduced world market prices.

T & S Stores pays more despite fall

T & S Stores reported lower pre-tax profits for the 25 weeks to June 27 1987, but the interim dividend has been raised from an adjusted 0.7p to 0.8p net. Profits were *down from £1.12m to £1.08m* but turnover was up from £30.75m to £37.08m.

It was an active half for the group, and on May 8 its shares ceased to be traded on the Unlisted Securities Market and were introduced to the Official List.

Magnolia makes 11% improvement

Magnolia Group (Mouldings), Essex-based maker and importer of picture frame mouldings, lifted pre-tax profits by 11 per cent to £563,000 in the half year to June 30 against a previous £509,000.

Turnover rose by 15 per cent to £8.62m (£7.48m)

The interim dividend is stepped up to 1.4p (1.25p). For 1986 a total of 4p was paid when the pre-tax result was £1.05m. After tax of £203,000 (£191,000) earnings for the period came through at 1.4p (1.25p) per 10p share.

Macro 4 profits rise 19%

In spite of the effects of volatile exchange rates, particularly the adverse movement of the dollar, Macro 4, computer software company, traded strongly in 1987 and raised pre-tax profits by 19 per cent to £4.11m.

As expected, second-half profits, at £2.4m, were ahead of the £1.7m achieved in both the first half of 1986-87 and the second half of last year.

The company predicted yesterday that profits for the current year would also show an increase, although not at quite the same rate as in the past two years.

This was due to a decision to invest further in the US subsidiary by increasing the number of marketing, sales and support staff to help exploit the company's major market. The greater part of the business was *on a rental basis and profits* from investment would therefore start flowing in future years.

Last year's profits included an exceptional credit of £695,000. Stated earnings per 5p share were 11.7p (7.3p) before the exceptional item and 11.7p (9.5p) after. The final dividend is 1.675p for a total of 2.8p (0.75p).

Turnover grew from £6.81m to £8.92m. At the operating level, profits moved up from £3.37m to £3.81m. Other income added £296,000 (£112,000) and there were interest and similar charges last time of £16,000. Tax took £1.56m (£1.41m) and there was an extraordinary charge previously of £513,000.

● comment

For years analysts have been trying to find the negative aspect of Macro 4. Yesterday's results will leave them still searching. Macro 4 is a unique company and in this lies its strength. It is the only systems *software group anywhere that* gets 95 per cent of its income from rentals. Rents roll in monthly on contracts that are automatically renewed each year unless specifically cancelled, a very rare occurrence. The only volatility the company faces is in exchange rates: the adverse movement of the dollar since the interims affected yesterday's figures to the tune of £150,000. Growth prospects are looking very good. Of the 40,000 IBM mainframe computers worldwide, Macro 4 has contracts covering just 6,441, leaving a large untapped market. On top of this, IBM's new 9370 range of computers launched this summer—30,000 were sold in the first two weeks—represents a huge fresh possible market for Macro's software. The company is cash rich, £200,000 to £300,000 a month flows in, and is keenly looking for acquisitions, especially in the US. Shares closed 2p up yesterday at 342p. Assuming pre-tax profits next year of £5.4m, *that puts them on a* prospective p/e of about 21, not cheap but the long term *growth prospects should justify* the price.

Improved UK trading conditions lift Hall Eng.

WITH BETTER trading conditions in the UK and overseas interests showing further improvements, Hall Engineering (Holdings) increased its pre-tax profits by 25 per cent in the six months to June 30, before an exceptional gain on disposal of surplus land.

Taking the exceptional £1.55m credit (£427,000 charge) into account, the improvement in pre-tax profit for the period was from £2.42m to £5.13m.

Mr R. N. C. Hall, chairman, said that not all companies in the group—steel stockholder, wire mesh manufacturer, mining tools and automotive parts—had yet achieved satisfactory levels of profitability, but most were in a healthy condition and showing encouraging trends.

Mr Hall said that in keeping with the policy of concentrating upon and developing core businesses, Hall had acquired 75 per cent, with an option to purchase the remaining 25 per cent, of C. B. A. (Metals), a Sussex-based company engaged in the distribution of non-ferrous metals

Turnover in the first six months rose from £62.73m to £66.49m.

Record year for Sigmex Intl.

Sigmex International, USM-quoted manufacturer and marketer of electronic systems and equipment, has had a record year with growth in all sectors and pre-tax profits up nearly five times, from £236,000 to £1.16m.

Turnover rose by 51 per cent from £11.84m to £17.89m for the year ending June 30 1987.

The largest single sale during the year was the Nato war headquarters systems. Firm orders at the year-end had more than doubled to £6m.

After tax of £315,000 (£76,000), earnings per 10p share increased to 10.01p (2.25p).

The directors recommended a dividend of 1.1p (£0.53p).

Armour Trust 54% higher at £1.2m

Armour Trust, confectionery maker and distributor of electrical components and car accessories, increased pre-tax profits by 54 per cent to £1.2m for the year ending April 30 1987. Turnover was up by 29 per cent to £15.62m.

Earnings per 10p share rose to 3.4p (2.9p) and would have been higher but for the *increased tax charge arising from* reduced capital allowances.

There had been three acquisitions in the automotive division, the directors said yesterday, plus a significant expansion in electronic component distribution, and new manufacturing and distribution facilities for the confectionery division.

The confectionery division, Carter Penguin group, enjoyed a record year, showing a 9 per cent sales increase and a 32 per cent rise in trading profits.

In the car accessories division, Polco continued to broaden its market penetration with the addition of the Sabre and Gran Pree ranges in 1986.

Miller and Santhouse expansion

By Ian Hamilton Fazey, Northern Correspondent

Miller and Santhouse, the Liverpool-based opticians, yesterday announced a 68 per cent increase in pre-tax profits to £611,000 and plans for further expansion through a £5m rights issue.

In the year ended June 30 1987 turnover almost doubled to £5.8m. Earnings per share rose 73 per cent to 9.5p, and the final dividend is 1.6p to make 2.35p, against a forecast of 2.25p.

The company went public via the USM in October 1986 to raise capital for expansion. It then had 22 high street outlets. It opened its 46th branch this week.

The £5m will be raised by a 1-for-4 rights issue at 425p per share, a discount of one-third on Monday's middle market price of 645p. Part of the proceeds will be used to reduce borrowings incurred through expansion so far.

Miller and Santhouse's expansion was well ahead of plans, which were for 33 practices, by the end of June this year. Mr Maurice Miller, chairman, said yesterday that the jump in turnover was also accounted for by a considerable increase in *the flow of patients into existing* practices, where the company competes vigorously on price, *design and speedy service.*

The year's growth has so far created 140 new pobs, bringing numbers employed to about 300.

Vita Pacific

Despite highly competitive and difficult trading conditions, Vita Pacific, has lifted its turnover and profit for the year ended June 30, 1987.

The company, which is listed in Australia and 41 per cent owned by British Vita, produced a turnover of A$43m ($38m) and pre-tax profit of $4m ($3.38m). Share of net profit of associates added $392,000 ($305,000).

British Vita's share of the results will be incorporated at end 1987 rates of exchange (last year $2.23 to £).

Brixton Estate

International investors in commercial property

Interim Report 1987

	Six months to 30th June 1987 £000's	1986 £000's	Year 1986 £000's
Net Rental Income	12,077	10,628	22,850
Profit before Taxation	6,041	5,204	10,764

Six months' figures unaudited

☐ 13.6% increase in net rental income

☐ 16.1% increase in profit before taxation

☐ Interim Dividend 3.00p per share – up 15.4%

A copy of the full Interim Report, which has been sent to all shareholders, may be obtained from: The Secretary, 22-24 Ely Place, London EC1N 6TQ.

Brixton Estate

Hagemeyer nv

Hagemeyer N.V. is an international marketing, sales and distribution company with specific focus on Europe, the Asia/Pacific area and North America.

In its principal function, the group:

– provides competitive marketing, sales and distribution services with a significant added value in specific geographic markets;

– concentrates on branded products in the consumer and professional markets;

– in addition to serving many important names in international industry, the group markets, sells and distributes its own proprietary branded product in a number of countries.

P.O. BOX 5111 1410 AC NAARDEN THE NETHERLANDS

REPORT FOR THE SIX MONTHS ENDED JUNE 30TH, 1987 HAGEMEYER N.V.

– The consolidated net profit increased with 48% from ƒ 7.7 million in the first half of the previous year to ƒ 11.3 million in the period under review.

– The consolidated net turnover showed a continued growth at ƒ 599.6 million, when compared with ƒ 529.7 million for the same period in the prior year (13.2%).

– Per share of ƒ 20,– the half year net profit was ƒ 2.93, compared with ƒ 2.01 for the first six months in 1986.

You will find additional information in our 1987 halfyear report. We will be pleased to send you this report. Please contact our office (Mrs. E.L. Vermeer tel. 31-2159-57676).

Penny Share Spotlight

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Recommendations straight from the heart of the City on this highly productive form of investment.

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To the Holders of WARRANTS to subscribe for shares of common stock of TOKYU CONSTRUCTION CO., LTD. (issued in conjunction with an issue by Tokyu Construction Co., Ltd. (the "Company") of U.S. $50,000,000 4¼% Guaranteed Notes Due 1991)

NOTICE OF FREE DISTRIBUTION OF SHARES AND ADJUSTMENT OF SUBSCRIPTION PRICE

Pursuant to Clause 4(A) and (B) of the Instrument dated March 26, 1986 under which the Warrants to subscribe for shares of Tokyu Construction Co., Ltd. were issued, you are hereby notified that a free distribution of Shares of our Company at the rate of 0.05 share for each one share will be made to the shareholders of record as of September 30, 1987.

As a result of such distribution, the Subscription Price at which shares are issuable upon exercise of said Warrants will be adjusted pursuant to Condition 7 of the Warrants, from Y502.9 Japanese Yen per share of common stock to Y479.0 Japanese Yen per share of common stock, effective as of October 1, 1987.

Tokyu Construction Co., Ltd.

Dated: September 16, 1987

MOVE TO ELIMINATE DISCOUNT ON ASSETS

River Plate plans split-level future

BY NIKKI TAIT

HOT on the heels of the £350m *Scottish National Investment* Trust's discount-eliminating conversion scheme, River Plate & General Investment Trust is also planning to turn itself into a split-level fund.

Like Scottish National, the £76m River Plate trust plans to introduce new zero dividend preference shares—a novel type of security in London—but this time by way of placing to raise £14m of new cash.

The *principle behind* the River Plate scheme is identical to that of Scottish National (and of River & Mercantile which also converted to split-level status earlier this year). By offering shareholders different classes of income and capital shares in exchange for the current single class, it hopes to eliminate the difference between the price at which its shares trade and the value of its underlying assets. It is this *discount* which makes trusts vulnerable to bids.

The River Plate scheme is simplier than Scottish National's in that it intends to offer shareholders just two new types of share in exchange for their existing one. The first are income shares, which start with a gross annual yield of 8.7 per cent and are initially entitled to 25p when the trust is wound up; this should rise to 100p by the time the actual winding-up takes place in October 1996. 40 0to 200. This comes on top

The second class is a capital share, for which the initial estimated net asset value is 250p and which subsequently enjoy all the capital growth achieved by the portfolio once other share classes are satisfied. In addition, shareholders get one new warrant for every five capital shares; this allows them to subscribe for one capital share at 250p.

Shareholders will receive the new income and capital shares in proportions of two for one. For example, with net asset backing currently standing at about 450p—455p, according to *BZW's* estimates—a shareholder with 1,000 shares would receive 3,000 income shares and 1,500 capital. Both classes of new share are expected to start trading at 100p, so the discount—about 10 per cent on Monday night but as high as 31 per cent during the past five years—should be eliminated.

In addition, River Plate is offering shareholders the chance to "mix and match" capital and *income shares as they wish*, so long as the overall balance is not disturbed. It is also encouraging shareholders to cash in existing warrants by bringing forward the final subscription date to October 23 and reducing the exercise price from 148p to 135p.

River Plate, which is one of two funds run by Tarbutt & Co, says that the scheme does not result from any current predatory action—though it *has* been a victim in the past and in 1985 promised shareholders a chance to consider discount-eliminating action before March 1989.

The portfolio is already 80 per cent UK-based, but Tarbutt admits it will need to raise the yield from about 3.9 per cent to 5 per cent-plus. It plans to hold perhaps one-quarter of the fund's assets in convertibles, and is making the job easier by raising £14m of new money via a placing of 40m zero dividend preference shares at 35½p a share. These pay *no* income, but start with an initial capital entitlement of 35½p, rising to 100p by 1966—equivalent to a gross redemption yield of 11.85 per cent. The gain on winding-up attracts capital gains, rather than income tax.

BZW, which along with Cazenove is advising on the scheme, has taken on all the zero prefs in a "bought deal" and said yesterday that attempts to place out the shares looked to be going "reasonably smoothly." Yesterday, River Plate shares gained 15p to 423p.

Savory Milln withdraws as Equity & Law broker

By Nick Bunker

SAVOURY MILLN, the stockbroker, yesterday ended a long connection with Equity and Law, the life assurance company, by withdrawing from its role as the company's joint broker.

The move was prompted by Friday's news of a £403m *takeover bid for Equity and* Law by Compagnie du Midi, the French insurance and banking group. Savory Milln said it withdrew because there was a "potential conflict of interest" due to long-standing business relationships between Compagnie du Midi and Swiss Bank Corporation International (SBCI), Savoury Milln's parent group.

The withdrawal by Savoury Milln — which has been well-known *for its* ties to insurance companies for many decades — leaves Warburg Securities as Equity and Law's sole broker. It further confirms Warburg's status as probably the leading broker to the industry. Warburg is now broker to four quoted life companies including Prudential Corporation, two composite insurers and four quoted insurance brokers.

Chemical operations help boost Croda to £14m

WITH MOST *sectors showing* improvements, Croda International lifted its pre-tax profit from £11.8m to £14.2m, or by 20 per cent, in the first half of 1987, and prospects are good.

Trading was continuing satisfactorily, the directors said, especially in the UK, and they looked for another good result in the second half. They are lifting the interim dividend to 3.4p (3p).

A *split of the pre-tax profit* showed speciality chemicals accounted for £9.16m (£7.51m), industrial chemicals £1.56m (£571,000), food £957,000 (£1.43m), cosmetics and toiletries loss £176,000 (profit £244,000), and surface coatings £2.7m (£2.05m).

Turnover for the period fell 4 per cent to £164m but trading profit improved 14 per cent to nearly £15m. Net interest charges were cut to £689,000 (£1.2m).

The directors said the speciality chemicals side continued its excellent progress, particularly in the UK and US. It accounted for 40 per cent of total turnover but 65 per cent of profits. Industrial chemicals was enjoying the fruits of previous *rationalisation and cost reduction*.

Mixed fortunes were experienced in the food sector. Bakery services performed well bearing in mind the disruption involved in moving to a new site, but the honey business experienced strong competition in the high street with resulting poor profit, as did the US operation because of structural changes in its markets.

Cosmetics and toiletries expected to earn most of its profit in the second half; surface coatings made particularly strong profits in Australia, the Netherlands, and the US.

Profit attributable for the half-year worked through at £9.23m (£7.33m) for basic earnings of 7.97p (6.34p) and fully diluted of 7.34p (5.85p).

● comment

Winnie the Pooh would have *found it hard to* believe but until recently all of America's bees were working for the government, with the honey purchased at set prices and stockpiled. Now this little piece of protectionism has been ended—to Winnie's delight as prices have fallen sharply—but Croda's US honey trading arm has lost at least £200,000 as a result. Almost all the fall in the food division arose from this plus the one-off relocation costs of the bakery products business. Cosmetics and toiletries fell because of the shift of the usually profitable honey trading into the food division—the second half, always the strong period, should see last year's £2m exceeded. In the core speciality chemicals division the selective shedding of less profitable lines has enabled margins to rise almost 3 per cent, taking the profit total ahead strongly in spite of the small fall in sales. All those foreign holidays have increased demand for colour photographic film and in turn helped boost Croda's industrial chemicals division which produces the gelatin coating used on the celluloid. Forecasts for the year have been *left* at £32m putting the shares at 264p, after a good run up to these figures, on a prospective p/e of 16¼—which does not leave much upside room although the streamlined team around Keith Hopkins continues to win friends in the City.

Iceland Foods well ahead

Iceland Frozen Foods Holdings made significant progress in the half year to July 4, 1987 with pre-tax profits up 46 per cent to *£3.16m and sales 39* per cent higher at *£69.35m*.

The company, a retailer of frozen foods, said the increase was in line with expectations and it was confident that 1987 would be another record year. Last year profits reached £5.11m on £116m sales.

First-half tax charge was £790,000 (£539,000) giving stated earnings per 10p share of 7.82p, against 5.52p. The interim dividend has been raised from an adjusted 1.25p to 1.45p—last year's final was 2.5p.

The company said it believed its enlarged facilities at Deeside would cope with the most ambitious store expansion plans and its store acquisition programme for 1988 was already looking very encouraging.

During the period under review, Iceland opened 10 new stores. Since then four more had been opened and the company expected to open an additional seven by the end of the year.

Iceland's new cold store, as originally designed, was now largely complete and would bring new and improved efficiencies as well as greatly extending the ultimate useable capacity of the company's distribution centre.

● comment

Iceland Frozen Foods has been a hot stock since it came to the market and these figures show why. Growth does not just depend on opening new stores, since existing stores increased volumes 12 per cent in real terms; however, the pace of store openings—21 this year, 25-30 next—is enough to keep turnover growing at an exceptional compound rate. The consequence is that Iceland's merits are obvious enough to attract a premium rating from the market; even assuming that pre-tax profits hit £7.5m for the full year, the prospective p/e is 21 on yesterday's unchanged share price of 389. That looks likely to freeze out short ter minvestors but those who can afford to wait for the long term, might take the opportunity of any price weakness to put a few in cold storage.

BOARD MEETINGS

TODAY

Interims: Addison Consultancy, Banrho Industries, Bilston and Battersea Enamels, Blockleys, Bonded Laminates Profiles, Bridon, CPU Computers, Candover Investments, Coats Viyella, Computer People, DRG, Matthew Hall, J. Hewitt (Fenton), Hollis, Jones and Shipman, M6 Cash & Carry, McLaughlin and Harvey, Hugh Mackay, Miss World, Pittard, RTZ, Sun Life Assurance, UCL, United Biscuits, Wilson Bowden, Woolworth, Wyevale Garden Centres.

Finals: Ballwinch, A. & J. Mucklow, Sanderson Murray and Elder.

FUTURE DATES

Interims—	
Beauford	Sept 23
Clayform Properties	Sept 22
Clyde Petroleum	Sept 22
Davis (Godfrey)	Sept 28
Epicure	Sept 22
Jerome (S.)	Oct 7
Kwik-Fit	Sept 22
Metalrax	Sept 28
Minet	Sept 22
Platignum	Sept 18
SPP	Sept 18
Sale Tilney	Sept 18
Silkolene Lubricants	Sept 30
Sumit	Sept 21
Thurgar Bardex	Oct 7
Finals—	
Gent (S. R.)	Sept 30
Glaxo	Oct 12
Harvey and Thompson	Sept 22
MAI	Sept 28
Parker Knoll	Sept 28
Trafford Park Estates	Sept 28

Mayborn 20% profit downturn

Mayborn Group, the USM quoted manufacturer of domestic dyes, shoe care and household products, saw pre-tax profits drop 20 per cent from £1.14m to £911,000 in the six months to end June.

The directors said the reduced level of profit in the first half of the year was due in part to Dylon's sales in UK and northern Europe being lower than anticipated, and also a slow start to the year at Stahlwood, the North American *subsidiary*.

Results were adversely affected by timing of publicity expenditure at Dylon and at Jackel compared with last year and some delays in the new product programme at Stahlwood. All other companies have performed well.

Forward order positions of Stahlwood and Jackel confirm predictions of substantially higher second half profits. Accordingly, the directors said they view prospects for the full year with confidence.

Turnover for the period was up from £9.7m to £10.82m; tax charged was £313,000 (£406,000) and stated earnings per 5p share were 3.2p (4.8p).

Scholes tops £6m and pays more

George H. Scholes, electrical engineer producing Wylex products, has met its profit forecast made when successfully fighting off a £70m takeover bid by the Delta Group.

And shareholders benefit by having their *dividend lifted* from 11.5p to 14p per share; the final is 9.5p.

The year ended June 30 1987 saw turnover rise from £29m to £32m and pre-tax profit from £5.34m to £6.23m. Earnings were shown at 31.3p (25.1p).

Yesterday, Scholes shares closed at 490p, a rise of 10p. During the Delta battle they had reached 630p.

PRUDENTIAL Corporation said its property services division had acquired Vidler, which has an office in Rye. This gave a total of 51 residential outlets in the region.

Dolphin Packaging to join USM via placing

BY PHILIP COGGAN

Dolphin Packaging, which supplies wrappings for everything from Marks and Spencer sandwiches to specialist syringes, is joining the Unlisted Securities Market via a placing which values the group at *£20.5m*.

The company, which is named after the symbol for the seaside town of Poole, where it is based, produces around 84 per cent of its packaging in the form of PVC and Styrene containers. As part of a strategy of increasing its margins, which it claims are amongst the best in the industry, the company manufactures its own PVC sheeting and hopes to be self-*sufficient next year*.

Around 80 per cent of its sales are to the food industry, but no one customer accounts for more than 10 per cent of turnover.

Allied Provincial is placing 4.7m shares, 24.4 per cent of the enlarged equity, at 106p each, of which 3.75m shares are new. The proceeds of the offer will be used to invest in new plant and equipment.

In the year to May 31, the group made pre-tax profits of £1.53m on turnover of £8.55m. *On the basis of the actual tax* charge, the historic p/e is 15.

Pilkington

Pilkington's recent £255m offer of shares to fund the acquisition of Vision Care of the US has received applications from shareholders for 54.6 per cent of the shares on offer. The company said it was very pleased with the take-up *given uncertain market conditions*. Meanwhile, Pilkington announced that it had entered into agreements with Continental Float Glass of India to supply the technology and technical services for India's first float glass plant.

Travis & Arnold up in first half

Growth continued apace for Travis & Arnold in the first half of 1987, with turnover up from £82m to £91.2m and pre-tax profit from £4.51m to £7.06m.

Mr E. Travis, chairman, said demand for building materials continued to increase steadily; with improved productivity that led to an improvement in trading margins from 5.16 to 6.79 per cent. Trading profit was £6.19m (£4.23m).

Results from the garden centres showed further improvement. At the end of March the Cornish coal merchanting interests were sold.

On prospects, Mr Travis said the current levels of *demand should be sustained*, and he hoped to report a satisfactory result for the full year.

Earnings for the half year were 12.9p (8.2p) and the interim dividend is raised to 1.29p (1.078p).

Tractebel S.A.

jointly with

Groupe Bruxelles Lambert S.A.

has acquired

Contibel Holdings plc

The undersigned acted as joint adviser to Tractebel S.A. in this transaction.

Dillon, Read Limited

September, 1987

Tractebel S.A.

jointly with

Groupe Bruxelles Lambert S.A.

has acquired

Contibel Holdings plc

Morgan Guaranty, subsidiary of J. P. Morgan & Co., acted as joint adviser to Tractebel S.A. in this transaction

JPMorgan

September, 1987

Groupe Bruxelles Lambert S.A.

jointly with

Tractebel S.A.

has acquired

Contibel Holdings plc

The undersigned acted as adviser to Groupe Bruxelles Lambert S.A. in this transaction.

Henry Ansbacher & Co. Limited

September, 1987

COMMODITIES AND AGRICULTURE

Scientists seek a lamb for all seasons

BY NANCY DUNNE IN WASHINGTON

US AGRICULTURE Department researchers are looking for ways to fool sheep into mating out of season, giving the consumer the chance of fresh lamb chops throughout the year.

Sheep, left to their own devices, normally mate in the autumn when daylight hours shorten. They produce lambs in the spring, which are fattened up to about 120 lbs and go to market in the autumn.

As a result, 800m lbs of lamb hits the market at the same time, and from February to August fresh lamb is a rarity in US supermarkets.

The researchers, experimenting with ways to reset the sexual clocks of American sheep, say they have found that artificial light and hormones can fool the flocks. At the US sheep experiment station in Dubois, Idaho, researchers have succeeded in getting the animals to breed at different times. As many as 50 per cent of them have produced twins in the off-season.

In one test 50 rams were exposed to different levels of artificial light in a windowless barn. Responding to what appeared to be shorter days, rams were found to have larger size testes and increased sperm quality.

Researchers also found that the hormone melatonin, which produces depression and exhaustion in humans, increases the sexuality of sheep. The hormone simulates the effect of a shortened day.

Ewes receiving the hormone in the spring will breed despite the lengthening day, the researchers have concluded, thus making possible the year-round lamb chop.

UK to revive row over dairy substitutes

By Tim Dickson

THE FURIOUS European Community row over French and West German bans on imitation dairy products will come to the boil again today at a full meeting of the European Commission in Strasbourg.

Lord Cockfield, the British Commissioner responsible for the internal market, is expected to urge his colleagues to continue their efforts to overturn the national prohibitions in the European Court of Justice and to mount a new legal challenge to July's deal by the EC's Agriculture Ministers, which sanctioned the present arrangements for at least a further two years.

The move is likely not only to irritate the Governments in Bonn and Paris but to embarrass Mr Frans Andriessen, the EC's Agriculture Commissioner who privately felt that the concession on milk substitutes was a necessary component of this year's painfully negotiated farm price package, which dragged on till early July.

The current saga goes back to 1984 when, following a complaint by a Dutch trader, the Commission brought a case in the Luxembourg Court against the French Government's ban on imitation milk products under Article 30 of the Treaty of Rome, which supports the free movement of goods.

Officials in Brussels believe that it is improper to ban products which are legal, healthy and safe, provided they are appropriately labelled, and their views were firmly upheld in an opinion delivered by Sir Gordon Slynn, the European Court's Advocate-General, in March 1986.

Normally an Advocate-General's Opinion is fairly speedily reflected in the final judgment, but thanks to some frantic lobbying by the French and West German Governments, the case was consistently delayed and a final verdict never delivered.

Then in July, during the last-minute horse trading which always precedes any political agreement on agriculture, EC Farm Ministers unanimously approved a proposal that the French and West German bans should be allowed to continue until 1989.

Both countries argue that it is inappropriate to open their markets to substitute products like non-cream toppings and coffee whitener at a time when their dairy farmers are being forced to accept milk quotas. Why should their dairy farmers be forced to put up with restrictions when non-dairy competitors are free to attack their traditional markets?

Lord Crockfield feels strongly that the Commission should not let the matter rest and is likely to propose today that cases against the two member states should be resumed and that a separate action against the Council of Ministers should be initiated.

If his view carries the day—and the indications last night were that he would be supported by a majority of his colleagues—the latest development is bound to be welcomed by Court officials in Luxembourg. It is known that many were far from impressed by the way in which politicians have sought to interfere in the judicial process, thus apparently challenging their independence.

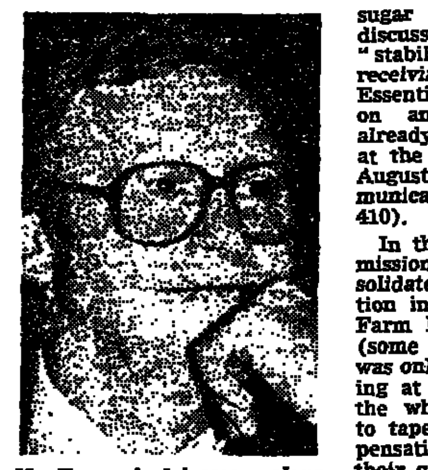
EC commission prepares for more farm reform

BY TIM DICKSON IN BRUSSELS

THE European Commission is set next week to outline major farm policy proposals which will include a firm extension of the current milk quota system beyond 1989, abolition of the variable premium paid for British sheepmeat producers, and improvements to the functioning of the Community's sugar regime.

Senior Commission agricultural experts were putting the finishing touches to a number of the ideas at a meeting in Brussels last night but the draft proposals will not be formally considered by a full meeting of Commissioners until next Wednesday.

Their widely anticipated adoption on that occasion—and subsequent presentation to Farm Ministers — will mark the firm start of the next phase of Common Agricultural Policy reform which was foreshadowed in July with the unveiling of the plan for so called "budget stabilisers" by Mr Frans Andriessen, the agriculture commissioner.



Mr Frans Andriessen: plans for "budget stabilisers"

This is the buzz phrase in Brussels for a variety of different mechanism the common aim of which will be to keep EC price support spending on various products within their original targets.

The need for such a policy has become particularly apparent this year with farm spending in 1987 recently predicted to swallow up between Ecu 5bn and Ecu 6bn more than was originally expected.

Since returning from the summer break Commission officials have been working to finalise individual policy papers on the functioning of milk quotas since their introduction in 1984, the future of the sheepmeat regime, the working of the sugar regime, and a detailed discussion of the application of "stabilisers" on other products receiving Community support. Essentially they are expanding on and refining the ideas already announced in outline at the end of July and early August and set out in a Com munication of August 3 (COM 410).

In the dairy sector the Commission wants essentially to consolidate the 9.5 per cent reduction in milk quotas agreed by Farm Ministers last December (some 5.5 per cent of which was only temporary). The thinking at the moment is to make the whole lot permanent and to taper off the level of compensation for those giving up their quota.

It is widely felt in Brussels that while arguably a crude weapon, the supply cutbacks are proving effective and ought to be prolonged beyond the end of the current five-year period with some technical adjustments (though not for as much as a further five years).

A Commission official said last night that the adoption of the papers was being deliberately timed to follow this week's debate on agriculture in the European Parliament and next Tuesday's meeting of Farm Ministers in Brussels.

US sees sugar demand recovering

BY NANCY DUNNE IN WASHINGTON

FOR THE first time in a decade, the US Department of Agriculture is seeing signs of a recovery in American sugar demand, which has been steadily losing market share to other sweeteners.

Sugar deliveries for 1986-1987 are now forecast at 7.95m tonnes, up 2 per cent from last year. Production of high-fructose corn syrup (hfcs) is also expected to rise by 2 per cent, to 5.65m tonnes, but that would mark a notable fall-off from the rapid expansion rate of recent years.

The USDA also said the market had grown for sugar-containing products.

Over the first three-quarters of the fiscal year, deliveries totalled 5.9m tonnes, 3 per cent above the same period a year earlier. Deliveries for industrial use rose 3.5 per cent, with gains in confectionery, cereal and bakery deliveries exceeding declines in the beverage market. Deliveries to food wholesalers increased by 8.5 per cent from the previous year.

US sugar production is also rising—to 6.9m tonnes this year from 6.3m in 1986, the USDA forecasts—while exports in the first half of the year totalled almost 471,000 short tons, up 78 per cent from the same period a year earlier.

India rejects plea for drought concessions

BY R. C. MURTHY IN BOMBAY

THE PLANTATION industry in South India has made an unsuccessful bid to win fiscal concessions from the Government to bale it out from the difficult situation created by widespread drought.

A plea for scrapping export duty of £1,700 per tonne on coffee was rejected by Mr Priyaranjan Das Munshi, the Indian Commerce Minister, but he promised favourable consideration to other demands made by the United Planters' Association of South India at its conference in Coonoor, a plantation town in the southern state of Tamil Nadu.

Tea production in South India is less than a quarter of the country's total output, which was 625m kg last year and exports were only 55.6m kg in 1985-86 and less than a fifth of India's total tea exports. South Indian tea exports fell to around 40m kg last year and no upturn is expected this year.

Mr K. C. Thomas, the UPASI president, says international commodity prices are down this year and South India has been virtually priced out. Besides high wages in southern plantations, the state governments levy taxes driving up the cost of production. Mr Thomas lamented that their attitude was "counterproductive."

South Indian tea is akin to that of Sri Lanka, whose aggressive marketing is hurting India. Mr Ronnie de Mel, the Sri Lankan Finance Minister, stated during his visit to India early last week of possible joint action by the two countries on marketing in tea and other commodities. South Indian plantations will be the main beneficiaries of such co-ordination.

The Indian Government has set up an expert committee to formulate a research plan to lift tea productivity, which has risen by only 75 per cent in 25 years in South India. The UPASI wants to adopt multi-pronged marketing strategy and not to limit itself sales through auctions. It says excise duty on package tea, which is several times the duty on bulk tea, should be cut to popularise branded tea.

South Indian plantations have fewer problems with coffee. The crop estimate for 1987-88 is lowered to 6m bags of 60 kg each from the peak of 9m bags last year following poor monsoon rains over the past three months. But export prospects are linked to revival of International Coffee Agreement, on which negotiations are to start soon.

Cardamom plantations were the worst hit and the UPASI fears the harvest will be just one-fourth of the record 3,750 tonnes in 1985-86.

Fresh hope for Caribbean mangoes

BY CANUTE JAMES IN KINGSTON

CARIBBEAN FRUIT exporters are looking with new hope at the growing market for mangoes in the US three years after they were forced to curtail shipments because of new US regulations for treating the fruit for pests.

The regions use of the fumigant ethylene dibromide (EDB) was considered dangerous by the US Environmental Protection Agency, and alternatives, including irradiation, were rejected by the region.

Now, however, exporters are turning to immersion in hot water, which has been accepted by the US authorities as adequate protection against the Caribbean fruit fly.

Although the use of EDB was banned in the US in 1983, after indications that it had carcinogenic and mutagenic effects on animals, some Caribbean mango exporters were still allowed to use the fumigant to levels not exceeding 30 parts per billion.

This forced a severe reduction in mango exports to the US particularly from Haiti, Jamaica, and the smaller islands of the eastern Caribbean.

In rejecting the suggestion that irradiation be used on the fruit, the region's exporters said it was too expensive, and there was a danger of a negative consumer reaction to possible contamination. They also argued that another alternative, cold stabilisation on ships, would not be effective as the distance between the region and the market was too short.

Treating the fruit with hot water has started in Haiti, and will be introduced in Jamaica shortly. It involves immersing the fruit for 75 minutes in water heated to 115.5 degrees fahrenheit. According to US Department of Agriculture officials the fruit is not damaged, but any fruit fly larvae are killed.

Agreement on an acceptable treatment has opened the door for Haiti to increase its traditional 20 per cent share of the US mango market.

It has also encouraged Jamaica to start expansion of its orchards from the existing 1,500 acres to 5,000 acres, with the aim of shipping also to the European Community.

The US mango market is said by Caribbean Government officials to be worth just under $100m a year. Consumption is rising, and demand is expected to reach about 130,000 tonnes a year in the next five years, with a value of about $250m.

"Once we secure entry into the United States mango market, combined marketing to the United States and Europe affords Jamaica the opportunity to expand our mango acreage," said Mr Ralph Thompson, managing director of Agro 21, a Jamaican Government agency which encourages non-traditional agriculture.

St Lucian officials say the island's administration has been asked by the US Government to do a survey to determine whether the Caribbean fruit fly is in the island; to determine whether the fruit needs to be treated. St Lucia currently exports mangoes to the UK and Canada and exporters say they could make use of access to the US market.

WEEKLY METALS

ALL PRICES as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,250-2300 (2,280-2320).

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse 4.50-4.70 (same).

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots 2.19-2.28 (2.20-2.28), sticks 2.18-2.28 (2.20-2.28).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse 6.45-6.70 (6.50-6.70).

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse, 300-306 (290-300).

MOLYBDENUM: European free market drummed molybdic oxide, $ per lb Mo, in warehouse 3.02-3.05 (3.00-3.05).

SELENIUM: European free market, min 99.5 per cent, $ per lb in warehouse, 5.60-6.00 (5.50-5.90).

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO_3, cif, 40-57 (same).

VANADIUM: European free market min 98 per cent V_2O_5 other sources, $ per lb V_2O_5, cif 2.63-2.72 (2.62-2.70).

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 16.65 (same).

LONDON MARKETS

NEWS THAT European zinc producers had shelved plans to rationalise output depressed prices for the metal on the London Metal Exchange yesterday. Although few traders had really expected the plans to come to anything the announcement was quoted as a factor behind the trade selling and liquidation which pushed the cash position down £9.50 to £447.50 a tonne. Zinc's weakness spilled over into the lead market frustrating an attempted rally following early setbacks. Cash lead ended the day £16 lower at £386.50 a tonne while the three months position fell £13.25 to £373.25 a tonne. In contrast the nickel market was relatively firm, in spite of news that workers at Inco's Thompson facility in Manitoba had ratified a new three-year labour contract. Cash nickel closed £8.50 higher at £3,210 a tonne in response to continued consumer demand. Coffee futures prices slipped to the lowest levels for three weeks, once again taking their lead from the New York market. Steadier sterling was also a bearish factor, dealers said.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

99.7% purity	Unofficial close (p.m.) $ per tonne	+ or —	High/Low
Cash	1750-60	-0.5	—
3 months	1680-90	-1.5	1705/1685

Official closing (am): Cash 1,745-55 (1,725-45), three months 1,695-700 (1,685-95), settlement 1,755 (1,745). Final Kerb close 1,690-90. Ring turnover: [illegible] tonnes.

99.5% purity	£ per tonne		
Cash	1026-30	-5.5	1035/1032
3 months	1003-4		1018.5/1003

Official closing (am): Cash 1,031-2 (1,032-3), three months 1,009.5-10 (1,011-2), settlement 1,032 (1,033). Final Kerb close: 1,003-4. Ring turnover: 17,625 tonnes.

COPPER

Grade A	Unofficial close £ per tonne	+ or —	High/Low
Cash	1094-5	-11.5	1092/1081.5
3 months	1081-1.5	-9.5	1085/1075

Official closing (am): Cash 1,091-2 (1,110.5-1.5), three months 1,079-8.5 (1,089-4), settlement 1,092 (1,111.5). Final Kerb close: 1,082-3.

Standard			
Cash	1088-92	-13.5	—
3 months	1072-7	-15	—

Official closing (am): Cash 1,086-9 (1,108-10), three months 1,070-5 (1,090-2), settlement 1,089 (1,110). US Producer prices 85-89 cents per pound. Total ring turnover: 36,050 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	386-7	-16	383/382
3 Months	383.5-5	-13.25	386/368

Official closing (am): Cash 382-2.5 (408-9), three months 372-2.5 (391-2), settlement 382.5 (409). Final Kerb close: 369-70. Ring turnover: 14,800 tonnes. US Spot: 42 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	3196-206	+8.5	3190
3 months	3215-8	+19	3250/3195

Official closing (am): Cash 3,185-90 (3,190-1), three months 3,196-205 (3,185-90), settlement 3,190 (3,191). Final Kerb close: 3,220-30. Ring turnover: 702 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	447-8	-9.5	—
3 months	452-3	-9	459/449

Official closing (am): Cash 453.5-4.5 (459-60), three months 459-60 (464-4.5), settlement 454.5 (460). Final Kerb close: 453-4. Ring turnover: 13,600 tonnes. US Prime Western: 43-47.75 cents a pound.

LONDON METAL EXCHANGE TRADED OPTIONS

	Strike Price $/tonne	Calls Nov.	Calls Jan.	Puts Nov.	Puts Jan.
Aluminium 99.7%	—	—		—	
Aluminium 99.5%	1,625	88	65	36	64
	1,650	73	53	46	98
	1,675	60	44	58	114
Copper (Grade A)	1,725	89½	92½	34½	66
	1,750	74½	80	44½	78
	1,800	50	59	69	106
	£/tonne				
Copper (Grade A)	1050	51	55	14	31½
	1075	36	42½	23	45
	1100	24	32	36	56½

TIN

KUALA LUMPUR TIN MARKET—Close: 16.91 (16.90) ringgit per kg. Up 0.01.

GOLD

GOLD BULLION (fine ounce)	Sept. 15	
Close	$459¼-459¾	(£279½-280)
Opening	$456¼-456¾	(£279-279½)
M'n'g fix	$458.35	(£279.977)
Aft'n'n fix	$458.80	(£279.194)
Day's high	$459¼-459¾	—
Day's low	$456¼-456¾	—

GOLD AND PLATINUM COINS		
Am Eagle	$473-478	(£288-291)
Mapleleaf	$471-474	(£286¾-288½)
Kr'g'r'nd	$458-461	(£278¾-280½)
½ Krug.	$233-242½	(£141¾-147½)
¼ Krug.	$116-124	(£70½-75½)
Angel	$468-471	(£284¾-286¾)
1/10 Angel	$46-50	(£27½-30½)
New Sov.	$108-109	(£65¾-66¼)
Old Sov.	$108-109½	(£65¾-66½)
Noble Plat.	$598¼-604½	(£364¾-368)

RUBBER

PHYSICALS—Closing prices (buyers): Spot 71.50p (70.50p); Oct 71.00p (70.25p); Nov 71.25p (70.50p). The Kuala Lumpur fob prices (Malay-Singapore cents) per kg was: RSS No 1 270.0 (268.0); SMR 20 252.5 (248.0).

INDICES

REUTERS

Sept. 15	Sept. 14	M'th ago	Year ago
1658.5	1666.6	1660.3	1508.7

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Sept. 14	Sept. 11	M'th ago	Year ago
Spot	128.61	128.90	—	122.89
Fut	131.16	131.90	—	123.67

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	Sept. 15 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1755/765	+10	$1840/860
Copper			
Cash Grade A	£1094.5	-11.5	£1103.5
3 months	£1081.25	-9.5	£1089.5
Gold Troy oz	$459.5	+3.25	$467.75
Lead Cash	£386.5	-16	£413.5
3 months	£373.25	-13.25	£391.25
Nickel	[illegible]		
Free Mkt	258/265c	+1	248/260c
Palladium oz	$137.50	-1.25	$139.50
Platinum oz	$581.75	+4.25	$597.75
Quicksilver	$330/310		$270/288
Silver troy oz	469.40p	+8.3	474.50p
3 months	480.50p	+8.55	486.60p
Tin			
Free Mkt	£4160/180	-15	£4160/180
Tungsten	$55.47		$53.69
Wolfram 22.04lb	$40/57		$43/55
Zinc	£447.5	-9.5	£493
3 months	£452.25	-9	£491.25
producers	$860		$860
OILS			
Coconut (Phil)	$480u	-10	$490
Palm Malayan	$325z		$380
Seeds			
Copra (Phil)	$315		$320
Soyabean (U.S.)	$162.5	+0.5	$148.5
GRAINS			
Barley Fut. Nov.	£101.65	+0.55	£100.45
Maize	£155.00		£152.00
Wheat Fut. Nov.	£105.70	-0.40	£101.90
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Dec	£1223.5	+6	£1298
Coffee Ft. Nov	£1295	-29.5	£1274
Cotton A Ind.	83.15c	-0.5	87.70c
Gas Oil Nov.	$159	+2	$157.5
Rubber (kilo)	71.5p	+1	69.5p
Sugar (raw)	$150.2u	-4	$157.2
Wool'tops 64s	480p kilo		580p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. v Oct. x Aug-Sept. w Oct-Nov. u Sept-Oct. y Nov. z Dec.

SILVER

Silver was fixed 8.3p an ounce higher for spot delivery in the London bullion market yesterday at 469.40p. US cent equivalents of the fixing levels were: Spot 771c, up 15.5c; three-month 785.1c, up 15.75c; six-month 801.2c, up 16.7c; and 12-month 836c, up 18.3c. The metal opened at 467-469½p (764-766c) and closed at 465-466½p (764-768c).

SILVER per troy oz	Bullion Fixing price	+ or —	L.M.E. p.m. Unoffcl	+ or —
Spot	469.40p	+8.30	764c	-5
3 months	480.50p	+8.55	776c	-5
6 months	493.05p	+8.75	—	
12 months	517.95p	+8.95	—	

Three months final kerb 775-8c.

LME—Turnover: Nil (nil) lots of 10,000 ounces.

COFFEE

After making the levels due, £10 lower, Robustas remained under pressure with long liquidation and technical fresh selling as the market broke through its recently established range, reports Drexel Burnham Lambert. Further weakness from New York continued to weigh on the market, eroding the scale-down support. A late bout of selling towards the close activated sell stops.

COFFEE	Yesterday close	+ or —	Business done
Sept	1265-1270	-24.0	1286-1265
Nov	1295-1297	-29.5	1319-1298
Jan	1325-1328	-26.5	1348-1325
Mar	1348-1358	-17.0	1357-1350
May	1360-1368	-25.5	1375
July	1380-1388	-23.5	1399-1390
Sept	1410-1428	-15.0	1418

Sales: 3,378 (1,531) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for September 14: Comp. daily 1979 105.57 (107.04): 15-day average 105.11 (104.59).

COCOA

After opening steady, futures rallied £20 before easing back to nearly unchanged. Commission house buying was evident, but arbitrage selling and light profit-taking pared further gains. Physical business was confined to the second-hand market, reports Gill and Duffus.

	Yesterday's close £ per tonne	+ or —	Business done
Sept.	1180-1190	+17.5	1208-1182
Dec.	1223-1224	+6.0	1245-1222
March	1254-1255	+5.0	1278-1254
May	1276-1277	—	1302-1278
July	1296-1297	—	1325-1297
Sept.	1316-1317	+2.0	1338-1316
Dec.	1334-1335	-1.0	1356-1335

Sales: 6,262 (5,817) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for September 14: 1,525.44 (1,504.88); 10-day average for September 15: 1,436.86 (1,543.39).

FREIGHT FUTURES

The market opened on a softer note but found support at the level of 1,040, basis October, and closed on a firmer note as the BFI was announced only 1 point down, reports Clarkson Wolff.

Dry Cargo	Close	High/Low	Prev.
Oct.	1035/1042	1050/1035	1045
Jan.	1076	1080/1070	1075/1080
Apr.	1135	1140/1125	1130/1140
July	1040	1040	1044
Oct.	1135	1135/1130	1130
Jan.	1145	—	1150
April	1187.5	—	1195
BFI.	1048	—	1049

Turnover: 236 (333).

GRAINS

Wheat firmed in early trading but found merchant and shipper sellers at 20p up, to lose early gains and struggle under constant long liquidation. Barley, however, always looked steady with shippers the main reason behind the buying interest and consumer and co-operative sellers providing the resistance, reports T. G. Roddick.

Mnth	WHEAT Yest'rdy's close	+ or —	BARLEY Yest'rdy's close	+ or —
Sep.	105.00	—	99.45	+0.65
Nov.	105.70	-0.40	101.65	+0.55
Jan.	107.70	-0.40	104.55	+0.55
Mar.	110.80	-0.35	106.60	+0.45
May	112.95	-0.30	108.60	+0.50
July	115.45	-0.20	—	—

Business done—Wheat: Sept 105.20-5.00, Nov 106.30-5.65, Jan 108.30-7.65, March 110.80-10.25, May 113.25-2.90, July untraded. Sales: 369 lots of 100 tonnes. Barley: Sept 99.45-9.00, Nov 101.65-1.35, Jan 104.60-4.25, March 106.60, May untraded. Sales: 283 lots of 100 tonnes.

HGCA — Locational ex-farm spot prices. Feed barley: S. East 96.90, S. West 96.50, W. Midlands 94.70, N. West 95.60. The UK monetary coefficient for the week beginning Monday September 21 (based on HGCA calculations using five days' exchange rates) is expected to remain unchanged.

LONDON GRAINS—Wheat: US Dark Northern Spring No.2 14 per cent Oct 96.00, Nov 97.25. US No.2 Soft Red Winter Oct 92.50, Nov 95.00. French 11½-12 per cent Sept 135.50 sellers. English Feed Fob Sept 106.00/107.00 buyers/sellers. Oct 109.00 sellers. Jan/March 111.25/111.50 buyers/sellers.

SUGAR

LONDON DAILY PRICE—Raw sugar $150.20 (£92.00), down $4.00 (down £2.20) a tonne for September-October delivery. White sugar $182.00, unchanged.

	Yesterd's close	Previous close	Business done
	$ per tonne		
No. 6 Raws			
Oct.	156.4-156.6	158.4-155.6	157.2-152.2
Dec.	142.6-145.4	140.0-140.4	140.8
Mar.	152.6-152.8	149.8-150.0	155.8-148.8
May	156.8-157.0	154.6-154.2	157.6-155.2
Aug.	160.6-161.0	158.0-158.6	
Oct.	166.2-166.4	162.6-165.0	166.2-162.4
Dec.	169.8-171.6	168.4-169.0	—
No. 5 Whites			
Oct.	181.0-186.0	181.5-182.8	184.0-180.8
Dec.	182.8-184.0	179.6-181.5	185.0-179.8
Mar.	187.0-188.0	185.0-186.8	187.6-184.6
May	191.0-191.5	188.0-189.5	193.1-188.5
Aug.	194.0-195.0	192.5-195.0	192.5
Oct.	188.0-196.0	188.5-197.8	—
Dec.	199.5-203.0	188.5-201.5	—

Sales No 6 1,670 (1,544) lots of 50 tonnes; No 5 1,524 (2,596).

Tate and Lyle delivery price for granulated basis sugar was £196.00 (£198.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for September 14: Daily price 5.68 (5.73); 15-day average 5.62 (5.51).

PARIS—Whites (FFr per tonne): Oct 1050-1076, Dec 1091-1100, March 1127-1132, May 1150-1156, Aug 1172-1180, Oct 1193-1203.

GAS OIL FUTURES

Month	Yesterd'ys close US$ per tonne	+ or —	Business done
Oct	157.00	+1.25	157.75-55.50
Nov	159.00	+2.00	159.25-56.75
Dec	161.00	+2.50	161.00-58.75
Jan	162.50	+1.50	—
Feb	163.00	+2.00	—

Turnover: 4,678 lots of 100 tonnes.

US MARKETS

EARLY TRADE selling in gold was met by local and commission house buying and the market closed quietly higher, reports Drexel Burnham Lambert. Silver closed marginally lower on fund and local selling despite commission house buying and a late short-covering rally. Platinum firmed following trade buying, but failed to make headway as commission house resistance appeared at the highs. Copper fluctuated on local selling and commission house and fund buying before profit-taking and long-liquidation emerged to ease prices. Crude oil firmed on early trade buying which was joined by fund and local buying in the face of light commission house selling. Coffee eased on commission house and local selling which touched off stops before trade buying and local short-covering pared losses. Cocoa steadied on early light trade and commission house buying, but gains were erased as speculative selling caused prices to back off. Trade and commission house buying rallied the sugar market. Commission house liquidation and new short-selling eased cotton despite early trade buying. Cattle futures were strong following a constructive cattle-on?feed report. Both the hogs and pork bellies were higher, despite lower cash values, as the markets underwent technical corrections to recent weakness and in anticipation of higher cash prices. The grains and soya complex were both quiet, on balance easing on late profit-taking. Earlier, technical buying provided support to both the maize and wheat. Beans derived early support from crusher buying against the products.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Sept	81.25	80.75	—	—
Oct	79.00	79.85	—	—
Nov	79.00	78.85	—	—
Dec	78.25	78.25	78.50	78.25
Jan	78.35	78.35	77.25	77.25
March	73.50	73.25	—	—
May	70.50	70.00	—	—
July	68.50	67.50	—	—

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
Sept	1858	1900	1887	1887
Dec	1890	1913	1925	1887
March	1915	1931	1941	1910
May	1941	1965	1965	1938
July	1965	1980	1987	1965
Sept	1991	2010	2010	2007
Dec	2014	2033	2030	2030

COFFEE "C" 37,500 lbs; cents/lbs

	Close	Prev	High	Low
Sept	111.75	112.80	112.75	111.00
Dec	114.22	115.58	115.00	113.55
March	117.52	119.05	118.75	117.10
May	119.25	121.50	120.50	118.75
July	120.50	122.75	122.00	120.00
Sept	122.20	124.00	121.50	121.00
Dec	123.00	125.18	—	—

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Sept	81.30	81.85	81.65	80.95
Oct	80.20	80.75	—	—
Nov	79.75	80.40	—	—
Dec	79.20	79.85	79.80	78.75
Jan	78.85	79.15	—	—
March	77.25	77.85	77.90	76.90
May	76.50	77.15	76.80	76.45
July	76.10	76.25	—	—
Sept	75.60	76.25	—	—
Dec	75.50	76.25	75.60	75.50

COTTON 50,000 lbs; cents/lbs

	Close	High	Low	Prev
Oct	73.89	74.43	75.40	73.80
Dec	73.62	74.62	74.90	73.40
March	74.92	75.63	75.26	74.90
May	75.35	76.20	75.85	75.36
July	75.03	76.00	76.20	74.95
Oct	69.00	69.62	69.80	69.45
Dec	66.95	67.65	67.50	66.95

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	High	Low	Prev
Oct	19.74	19.61	19.93	19.66
Nov	19.42	19.37	19.59	19.36
Dec	19.25	19.22	19.43	19.18
Jan	19.13	19.15	19.36	19.08
Feb	19.10	19.13	19.30	19.12
March	19.10	19.11	19.26	19.10
April	9.05	19.10	19.23	19.04
May	19.06	19.09	19.26	19.05
June	19.10	19.08	19.23	19.23
July	19.20	19.07	—	—

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Sept	458.6	456.5	—	—
Oct	460.0	458.0	460.7	458.8
NUov	463.1	461.0	—	—
Dec	465.9	463.8	466.7	464.5
Feb	472.3	470.0	472.9	471.4
April	478.6	476.2	479.0	478.8
June	485.1	482.6	485.8	484.0
Oct	499.0	496.2	498.0	498.0
Dec	506.2	503.2	506.8	506.8
Feb	513.6	510.4	—	—
June	528.5	525.0	—	—

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	Prev	High	Low
Oct	52.75	52.97	53.45	52.40
Nov	53.30	53.47	54.00	53.00
Dec	53.90	53.97	54.60	53.50
Jan	54.55	54.50	55.10	54.20
Feb	54.80	54.75	55.20	54.50
March	53.10	53.06	53.30	53.10
April	51.80	51.75	52.25	51.80
May	51.10	50.50	51.10	51.10
June	50.30	50.00	50.30	50.00
July	50.60	50.20	50.50	50.50

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Sept	138.65	137.55	138.60	137.50
Nov	130.20	129.75	130.25	129.25
Jan	128.00	128.40	128.50	127.35
March	128.25	128.05	128.80	127.50
May	128.75	129.05	—	—
July	129.35	129.80	129.80	129.50
Sept	129.55	129.95	—	—

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Oct	586.4	594.0	589.5	584.5
Jan	594.1	591.3	597.0	593.0
April	602.2	599.3	604.6	601.0
July	610.4	607.5	615.0	615.0
Oct	618.9	616.0	621.0	621.0

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Sept	762.3	804.0	767.0	759.0
Oct	765.0	766.7	—	—
Nov	770.4	772.0	—	—
Dec	775.5	777.0	783.0	770.5
Jan	780.8	822.1	—	—
March	792.4	834.6	800.0	768.0
May	804.0	846.5	—	—
July	816.2	859.0	815.0	815.0
Sept	828.5	871.9	863.0	856.0

SUGAR WORLD "11" 112,000 lb, cents/lb.

	Close	High	Low	Prev
Oct	6.04	5.88	6.06	5.83
Jan	6.30	6.22	—	—
March	6.85	6.69	6.85	6.64
May	7.06	6.91	7.05	6.88
July	7.20	7.07	7.20	7.05
Oct	7.43	7.29	7.44	7.26
Jan	7.66	7.51	—	—

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lbs

	Close	High	Low	Prev
Oct	68.35	67.67	68.40	67.57
Dec	68.37	67.90	68.40	67.75
Feb	68.17	68.02	68.30	67.80
April	68.87	68.85	68.90	68.50
June	68.72	68.57	58.75	68.17
Aug	67.15	67.00	67.15	66.80
Oct	66.30	66.20	66.40	66.20

LIVE HOGS 30,000 lbs, cents/lbs

	Close	High	Low	Prev
Oct	48.15	57.72	48.20	47.37
Dec	46.42	45.85	46.50	45.80
Feb	44.40	44.05	44.55	44.00
April	42.15	41.82	42.22	41.82
June	43.95	43.60	44.25	43.35
July	44.45	44.45	44.50	44.00
Aug	43.30	43.30	43.47	43.10
Oct	40.87	40.80	40.87	40.75

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	High	Low	Prev
Sept	170.6	170.2	172.0	170.0
Dec	176.4	177.0	178.4	176.2
March	185.6	186.2	188.0	185.4
May	191.0	191.0	192.0	190.4
July	193.0	192.6	194.2	192.2
Sept	189.4	191.0	192.0	189.0
Dec	195.0	196.6	197.0	194.6

PORK BELLIES 38,000 lbs, cents/lbs

	Close	High	Low	Prev
Feb	59.30	58.67	59.35	58.12
March	58.65	58.10	58.80	57.25
May	58.90	58.50	58.90	57.77
July	58.70	58.35	58.70	57.56

5,000 bu min, cents/60lb-bushel...
SOYABEANS

	Close	High	Low	Prev
Sept	525.4	528.2	531.6	524.0
Nov	527.0	532.4	535.0	526.0
Jan	534.0	538.4	541.0	531.4
March	540.4	544.6	546.6	538.4
May	546.0	549.6	552.2	543.4
July	547.4	552.0	554.6	547.0
Aug	544.0	549.4	551.0	544.0
Sept	537.0	540.0	—	—

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Sept	177.0	178.0	179.1	176.5
Oct	171.4	173.1	174.0	171.1
Dec	167.5	169.6	170.3	167.1
Jan	168.2	167.8	168.3	166.0
March	165.2	166.5	167.0	166.0
May	164.5	165.9	165.9	164.5
July	163.0	164.7	166.0	163.0
Aug	163.0	163.5	166.0	163.0
Sept	163.0	162.5	164.5	163.0

SOYABEAN OIL 60,000lb, cents/lbs

	Close	High	Low	Prev
Sept	15.80	15.80	15.90	15.80
Oct	15.92	15.86	16.00	15.86
Dec	16.30	16.25	16.37	16.22
Jan	16.48	16.38	16.50	16.39
March	16.78	16.70	16.85	16.73
May	17.00	16.95	17.05	16.97
July	17.22	17.15	17.25	17.18
Aug	17.30	17.18	17.30	17.25
Sept	17.35	17.16	17.35	17.35
Oct	17.40	17.35	17.35	17.46

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Sept	282.4	284.2	284.2	281.0
Dec	295.2	298.0	298.0	294.0
March	301.2	303.0	303.0	300.0
May	296.2	297.0	298.0	295.4
July	282.6	283.0	284.4	282.0
Sept	285.6	286.0	288.4	286.6

SPOT PRICES: Chicago loose lard 16.00 (same) cents per pound. Handy and Harman silver bullion 757.0 (769.0) cents per troy ounce. New York tin 316.0-318.0 (316.5-3.18.0) cents per pound.

POTATOES

Prices continued to slide as fine weather stayed over the UK, although support levels were seen at £131, basis April, and the market rose from the lows during the afternoon, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov.	82.50	84.40	84.00-82.50
Feb.	91.00	92.50	—
March	84.30	85.30	—
Apr.	131.50	133.70	133.40-131.00
May	144.80	147.90	144.50-143.50

Sales: 1,037 (316) lots of 40 tonnes.

OIL

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		Oct.
Arab Light	—	—
Arab Heavy	—	—
Dubai	16.90-17.00	-0.025
Brent Blend	18.53-18.58	+0.16
W.T.I. (1pm est)	19.75-19.80	+0.25
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($per tonne)		
Premium gasoline	172-175	—
Gas Oil	155-157	+2.5
Heavy fuel Oil	94-95	-0.5
Naphtha	155-158	+0.5

Petroleum Argus estimates
* October.

SOYABEAN MEAL

Quiet conditions prevailed with good underlying commercial buying supporting the market at the lower levels, reports Muirpace.

	Yesterd'ys close £ per tonne	+ or —	Business done
October	135.5-135.7	+1.35	—
Dec.	132.4-133.6	+0.70	131.5
Feb.	133.5-133.7	+0.90	133.5
April	134.0-135.0	+1.00	135.0
June	128.5-130.0	+2.00	128.5
August	128.5-128.5	+1.25	—
October	127.0-130.0	+0.25	—

Sales: 63 lots of 20 tonnes.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 96.63p per kg lw (+0.09). GB—Sheep 160.41p per kg est dcw (−3.95). GB—Pigs 74.61p per kg lw (+1.31).

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar finishes below best

THE DOLLAR relinquished early gains to finish down from Monday's closing levels. Short covering after last week's US trade figures accounted for some of the early rise but there was no real change in underlying sentiment. Consequently the dollar's upward potential remained limited.

Later in the day the short covering tended to dry up and having failed to break through resistance levels, the dollar fell back.

Economic fundamentals continued to play a significant part in determining the dollar's fortunes and with the US trade deficit showing little sign of any real contraction so the dollar's outlook remained bleak.

However, speculators were not willing at the moment to push the dollar a lot weaker without further incentive because of fears that central banks would again provide concerted intervention.

Developments in the gulf appeared to be having a decreasing effect on the market.

US statistics released yesterday included industrial production for August which showed an increase of 0.3 per cent compared with 0.8 per cent in July while retail sales rose by 13 per cent after a revised increase of 0.5 per cent in July. Both figures were much in line with expectations while a second quarter current account deficit of a record $41.1bn was a litle higher than had been forecast.

The dollar rose to DM 1.8230 against the D-mark during the morning but slipped away to close at DM 1.8155 down from DM 1.8170.

It was also lower against the yen at Y144.0 from Y144.40. Elsewhere it slipped to SFr 1.5055 from SFr 1.5070 and FFr 6.0575 from FFr 6.0075. On Bank of England figures, the dollar's exchange rate index fell from 101.4 to 101.0.

STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.4710. August average 1.5985. Exchange rate index 73.0 against 72.9 at the opening and Monday's close. The six months ago figure was 71.6.

Sterling traded quietly for most of the day and was confined to a narrow range. Traders were faced with a number of economic statistics due for release this week but attention appeared to focus on Friday's release of UK money supply and bank lending figures.

Until then it seemed likely that the pound would be confined to a narrow range.

It was higher against the dollar at $1.6425 from $1.6370 and DM 2.9825 compared with DM 2.9750. It was unchanged against the yen at Y236.0 and finished elsewhere at SFr 2.4725 from SFr 2.4675 and FFr 9.95 against FFr 9.9325.

D-MARK-Trading range against the dollar in 1987 is 1.9305 to 1.7890. August average 1.8573. Exchange rate index 146.8 against 146.7 six months ago.

There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt when the dollar was fixed at DM 1.8176, virtually unchanged from Monday's figure of DM 1.8177.

Trading appeared to lack direction and the dollar was confined to a narrow range as traders tried to assess the next move. The dollar's inability to break through resistance levels led to profit taking at the day's highs. With central banks ready to intervene should the dollar fall, traders were unwilling to push the US unit in either direction.

For the time being demand for the dollar tended to outweigh the predominantly bearish undertone but dealers seemed convinced that once recent short covering operations had been completed, the dollar would start to lose ground.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sept 15	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0878	+1.48	+0.78	± 1.5344
Danish Krone	7.85212	7.99749	+1.85	+1.15	± 1.6404
German D-Mark	2.05853	2.07498	+0.80	+0.10	± 1.0981
French Franc	6.90403	6.92731	+0.34	−0.36	± 1.3674
Dutch Guilder	2.31943	2.33490	+0.67	−0.03	± 1.5012
Irish Punt	0.768411	0.775223	+0.89	+0.19	± 1.6684
Italian Lira	1,483.58	1,497.83	+0.96	+0.89	± 4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Sept. 15	Latest	Previous Close
£ Spot	1.6400-1.6410	1.6360-1.6370
1 month	0.32-0.30pm	0.30-0.29pm
3 months	1.01-0.98pm	1.00-0.98pm
12 months	3.15-3.05pm	3.07-2.99pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST THE POUND

Sept 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6340-1.6440	1.6420-1.6430	0.31-0.28 cpm	2.16	0.95-0.91 pm	2.26
Canada	2.1323-2.1620	2.1585-2.1545	0.18-0.08 c pm	0.72	0.37-0.26 pm	0.58
Netherlands	3.34¼-3.35¼	3.34¼-3.35¼	1⅛-1⅛ c pm	2.01	4-3⅝ pm	4.56
Belgium	61.70-61.95	61.70-61.80	20-15 c pm	3.40	56-47 pm	3.34
Denmark	11.45¾-11.49½	11.48½-11.49½	¼-⅞ ore dis	−0.52	⅞-1¾ dis	−0.46
Ireland	1.1115-1.1150	1.1125-1.1135	0.10-0.02 par pm	0.65	0.22-0.12 pm	0.61
W. Germany	2.97½-2.98¾	2.97¾-2.98¾	1½-1⅜ pf pm	5.78	4⅜-4¼ pm	5.70
Portugal	233.06-235.43	234.45-234.35	68-122 c dis	−4.85	250-334 dis	−4.97
Spain	199.53-200.08	199.65-199.95	126-144 c dis	−8.11	235-288 dis	−5.24
Italy	2147½-2153¾	2151½-2152½	10-14 lire dis	−6.69	21-25 dis	−4.28
Norway	10.90¾-10.93¾	10.91¾-10.92¾	3⅞-4½ ore dis	−4.60	9⅞-10⅝ dis	−3.73
France	9.92¾-9.95¼	9.94½-9.95½	1⅞-1⅜ c pm	1.88	5-4⅝ pm	1.83
Sweden	10.46½-10.49¾	10.47¾-10.48¾	⅛pm-⅛ore dis	0.14	1⅞-1⅛ pm	0.57
Japan	235¾-237	236-237	1¼-1 y pm	5.71	3½-3¼ pm	5.71
Austria	20.91-21.01	20.95-20.98	10¼-9 gro pm	5.51	29⅞-26⅞ pm	5.34
Switzerland	2.46½-2.47¾	2.46¾-2.47¾	1⅞-1⅛ c pm	6.07	3⅞-3⅝ pm	6.07

Belgian rate is for convertible francs. Financial franc 62.05-62.15. Six-month forward dollar 1.72-1.67 c pm. 12-month 2.80-2.70 pm.

STERLING INDEX

		Sept. 15	Previous
8.30	am	72.9	73.0
9.00	am	72.9	73.0
10.00	am	73.0	73.0
11.00	am	73.0	73.0
Noon		73.0	72.9
1.00	pm	73.0	72.9
2.00	pm	73.0	73.0
3.00	pm	73.0	72.9
4.00	pm	73.0	72.9

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Sept. 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6340-1.6440	1.6420-1.6430	0.31-0.28c pm	2.16	0.95-0.91pm	2.26
Ireland†	1.4680-1.4770	1.4750-1.4760	0.20-0.15c pm	1.43	0.59-0.49pm	1.47
Canada	1.3140-1.3175	1.3145-1.3155	0.16-0.19c dis	−1.59	0.57-0.60 dis	−1.78
Netherlands	2.0380-2.0500	2.0408-2.0410	0.41-0.39c pm	2.32	1.14-1.09pm	2.18
Belgium	37.55-37.82	37.55-37.65	4.70-2.70c pm	1.18	11.30-7.30pm	0.99
Denmark	6.97½-7.02¼	6.99-7.00	0.80-1.50ore dis	−1.97	2.90-3.60 dis	−1.85
W. Germany	1.8110-1.8230	1.8150-2.8160	0.56-0.54pf pm	3.63	1.58-1.54pm	3.43
Portugal	143-143¾	143-143¾	50-150c dis	−8.36	225-425 dis	−9.05
Spain	121.49-122.15	121.55-121.65	90—120c dis	−10.33	220-270 dis	−8.04
Italy	1307-1316	1309¾-1310¼	8.50-11.50lire dis	−9.15	21.00-22.50dis	−6.63
Norway	6.64½-6.67¾	6.64¾-6.65¼	3.60-3.95ore dis	−6.80	10.20-10.60dis	−6.25
France	6.04¼-6.08¼	6.05½-6.06	0.10-0.20c dis	−0.30	0.65-0.95 dis	−0.53
Sweden	6.37½-6.41¼	6.38-6.38½	0.90-1.20 ore dis	−1.97	2.90-3.30 dis	−1.94
Japan	143.60-144.75	143.95-144.05	0.44-0.41y pm	3.54	1.21-1.16 pm	3.29
Austria	12.75-12.82	12.76¼-12.76¾	4.00-3.00gro pm	3.28	10.50-8.50pm	2.97
Switzerland	1.4995-1.5125	1.5050-1.5060	0.50-0.47c pm	3.86	1.45-1.40 pm	3.78

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.75-37.85— Correction for Sept. 14: Switzerland close: 1.5065-1.5075

CURRENCY RATES

Sept. 15	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	N/A	0.696519
U.S. Dollar	5.5	"	1.14299
Canadian $	8.75	*	1.50497
Austrian Sch.	4	N/A	14.6028
Belgian Franc	7¼	"	43.0878
Danish Krone	7	"	7.99749
Deutsche Mark	3.0	"	2.07498
Neth. Guilder	4½	"	2.33490
French Franc	9½	"	6.92731
Italian Lira	12	"	1497.83
Japanese Yen	2½	"	164.476
Norway Krone	8	"	7.60259
Spanish Peseta	—	"	139.102
Swedish Krona	7½	"	7.29969
Swiss Franc	3.5	"	1.72877
Greek Drach.	20½	"	158.670
Irish Punt	—	"	0.775223

*C$/SDR rate for Sept. 14: 1.69749

CURRENCY MOVEMENTS

Sept. 15	Bank of England Index	Morgan Guaranty Changes %
Sterling	73.0	−20.5
U.S. Dollar	101.0	−6.0
Canadian Dollar	78.5	−9.7
Austrian Schilling	137.5	+10.0
Belgian Franc	99.8	−4.6
Danish Krone	90.8	+1.0
Deutsche Mark	146.8	+22.5
Swiss Franc	172.7	+22.6
Guilder	134.9	+14.4
French Franc	71.5	−18.1
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

EURO-CURRENCY INTEREST RATES

Sept. 15	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: [illegible]

OTHER CURRENCIES

Sept. 15	£	$
[illegible]	[illegible]	[illegible]

*Selling rate. Correction For Sept. 11, Singapore [illegible]

EXCHANGE CROSS RATES

Sept. 15	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.643	2.983	236.5	9.950	2.473	3.353	2152	2.159	61.75
$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Gilts stay in narrow range

TRADING REMAINED rather dull in most sectors of the London International Financial Futures Exchange yesterday. Once again sterling based contracts were influenced by the market's uncertainty ahead of Friday's UK money supply and bank lending figures while US bonds were depressed mainly by renewed dollar weakness.

Other UK statistics due for release today and tomorrow were not expected to have much effect on sentiment ahead of Friday's banking figures. Opening gilt futures were a little lower ahead of the announcement of details on the latest UK Government bond auction but there was no follow through and so values recovered towards noon.

News of an £800m tranche was some way below expectations and prices were marked up. Once again however trading tended to peter out and values finished virtually unchanged from overnight levels. The December contract opened at 113-31, down from 114-02 and eased to a low of 113-21 before touching a high of 114-14 in the afternoon. It closed at 114-04.

Three-month sterling deposits opened slightly firmer at 89.54 for December delivery, up from 89.52 on Monday but failed to attract any demand so that the price was confined to a five tick range and finished at 89.54.

US Treasury bonds lost ground, reflecting a weaker dollar and a generally bearish economic outlook. There was little comfort derived from higher US retail sales figures which only served to underline the continued strength of consumer spending and its implications for imports.

Sentiment was also affected the comparitively high level of short dated Federal funds rates, held up by technical factors. The December price opened at 83-20 down from 83-24 and finished at 82-23.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
108	6.30	7.28	0.22	1.09
110	4.52	5.59	0.44	1.45
112	3.20	4.42	1.12	2.28
114	2.06	3.26	1.62	3.12
116	1.18	2.33	3.10	4.19
118	0.44	1.51	4.36	5.37
120	0.23	1.16	6.15	7.02
122	0.11	0.54	8.03	8.40

Estimated volume total, Calls 2,358 Puts 1,145 Previous day's open int: Calls 20,634 Puts 13,791

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
76	6.62	6.35	0.16	0.45
78	5.17	5.03	0.35	1.13
80	3.50	3.48	1.04	1.58
82	2.31	2.44	1.49	2.54
84	1.22	1.55	2.40	4.01
86	0.46	1.15	4.00	5.25
88	0.25	0.50	5.41	6.60
90	0.10	0.31	7.28	8.41

Estimated volume total, Calls 65 Puts 62 Previous day's open int: Calls 369 Puts 370

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Sept.	Calls-Last Oct.	Puts-Last Sept.	Puts-Last Oct.
22750	1.74	6.78	3.84	4.63
23000	0.98	5.50	5.58	5.85
23250	0.51	4.39	7.63	7.24
23500	0.24	3.45	9.84	8.80
23750	0.10	2.67	12.20	10.52
24000	0.04	2.03	14.64	12.38
24250	0.01	1.52	17.11	14.37
24500	0.00	1.12	19.60	16.47

Estimated volume total, Calls 8 Puts 3 Previous day's open int: Calls 479 Puts 285

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Oct.	Nov.	Dec.	Mar.	Puts—Last Oct.	Nov.	Dec.	Mar.
1.45	19.35	19.35	19.35	19.35	0.00	0.00	0.01	0.20
1.50	14.35	14.35	14.35	14.35	0.00	0.02	0.09	0.62
1.55	9.35	9.35	9.35	9.35	0.03	0.18	0.46	1.55
1.60	4.42	4.70	4.99	5.86	0.41	0.98	1.57	3.21
1.65	1.30	1.85	2.30	3.40	2.29	3.13	3.88	5.75
1.70	0.18	0.50	0.84	1.79	6.17	6.78	7.42	9.14
1.75	0.01	0.09	0.24	0.84	11.00	11.37	11.82	13.19

Estimated volume total, Calls 10. Puts 0 Previous day's open int. Calls 55 Puts 1,209

LONDON SE £/$ OPTIONS
£12,500 (cents per £1$)

Strike Price	Calls—Last Oct.	Nov.	Dec.	Mar.	Puts—Last Oct.	Nov.	Dec.	Mar.
1.45	—	—	12.90	—	—	—	2.70	—
1.50	13.70	13.70	13.70	13.75	0.30	0.30	0.40	0.80
1.55	8.70	8.70	8.70	9.00	0.30	0.55	0.75	1.80
1.60	4.00	4.35	4.65	5.50	0.80	1.40	1.95	3.55
1.65	1.20	1.70	2.10	3.10	3.00	3.80	4.45	6.15
1.70	0.45	0.65	0.85	1.65	7.05	7.60	8.15	9.50
1.75	—	—	1.20	1.80	—	—	16.50	16.50

Previous day's open int: Calls 903 Puts 114 Volume: 52

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Oct.	Nov.	Dec.	Mar.	Puts—Last Oct.	Nov.	Dec.	Mar.
1.575	6.60	6.80	6.90	7.50	0.10	0.55	0.95	2.20
1.600	4.40	4.70	4.80	5.70	0.45	1.00	1.50	2.90
1.625	2.40	3.10	3.55	4.20	1.05	—	2.50	4.05
1.650	1.25	1.90	2.20	3.35	2.05	3.00	3.70	5.40
1.675	0.60	1.00	1.30	2.20	3.90	4.70	15.35	7.00
1.700	0.25	0.50	0.70	—	—	6.70	7.30	—
1.725	0.05	0.20	0.90	1.15	6.10	8.80	9.30	10.60

Previous day's open int: Calls 94,042 Puts 107,217 Previous day's volume: Calls 576 Puts 13,103

LIFFE-EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last Dec.	Mar.	Jun.	Sept.	Puts—Last Dec.	Mar.	Jun.	Sept.
91.50	0.39	0.39	0.44	0.48	0.31	0.71	1.04	1.29
91.75	0.26	0.29	0.35	—	0.43	0.86	1.20	—
92.00	0.17	0.21	0.27	—	0.59	1.03	1.37	—
92.25	0.10	0.14	0.20	—	0.77	1.21	1.55	—
92.50	0.05	0.10	0.15	—	0.97	1.42	1.75	—
92.75	0.03	0.06	0.10	—	1.20	1.63	1.95	—
93.00	0.01	0.04	0.07	—	1.43	1.86	2.17	—

Previous day's open int: Calls 1,048 Puts 1,129 Estimated volume, Calls 0 Puts 5

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Sept.	114.05	114.09	113.27	114.05
Dec.	114.04	114.14	113.21	114.00
March	114.07	—	—	114.05

Estimated volume 22,289 (18,520) Previous day's open int. 32,439 (32,053)

6% NOTIONAL LONG TERM JAPANESE GOVT BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Sept.	—	—	—	100.70
Dec.	100.64	100.65	100.50	100.10
March	100.04	—	—	—

Estimated Volume 422 (508) Previous day's open int. 797 (749)

THREE-MONTH STERLING
£500,000 points of 100%

[illegible]

FT-SE 100 INDEX
£25 per full index point

[illegible]

THREE-MONTH EURODOLLAR
$1m points of 100%

[illegible]

US TREASURY BONDS 8%
$100,000 32nds of 100%

[illegible]

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

[illegible]

IMM—STERLING $ per £

[illegible]

LIFFE—STERLING £25,000 $ per £

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Sept.	83-25	84-16	83-19	84-11
Dec.	82-28	83-21	82-22	83-15
Mar.	82-01	82-23	81-26	82-19
June	81-05	81-28	81-03	81-25
Sep.	—	—	—	81-02
Dec.	79-23	79-23	79-19	80-13
Mar.	79-03	79-24	79-03	79-26
June	—	—	—	79-09
Sept.	—	—	—	78-25
Dec.	—	—	—	78-10
Mar.	—	—	—	77-28

U.S. TREASURY BILLS (IMM)
$1m points of 100%

[illegible]

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

[illegible]

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Close	High	Low	Prev.
Dec.	0.7015	0.7025	0.6989	0.6906
Mar.	0.7080	0.7086	0.7054	0.6957
June	0.7140	0.7140	—	0.7010

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Close	High	Low	Prev.
Dec.	0.5563	0.5568	0.5549	0.5489
Mar.	0.5612	0.5614	0.5592	0.5541
June	—	—	—	0.5575

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

[illegible]

STANDARD & POORS 500 INDEX

[illegible]

MONEY MARKETS

London rates show little change

INTEREST RATES were slightly lower where changed in London yesterday but trading remained rather quiet and uneventful. The market lacked any clear trend and this was mostly responsible for the general move into shorter dates so that cash rates at the short end remained relatively comfortable.

UK clearing bank base lending rate 10 per cent since August 7

Discount houses were able to pick up money at attractive rates down to 6 per cent. Overnight interbank money started at 9¼ per cent and touched a high of 10½ per cent before slipping away to 5 per cent. Late balances were taken up to 10 per cent however. Three-month interbank money was quoted at 10⅛-10 per cent, unchanged from Monday.

Most of the market's attention tended to centre on Friday's release of UK money supply and bank lending figures where some improvement from last month's sharp in bank lending was hoped for.

The Bank of England forecast a shortage of around £500m with factors affecting the market including bills maturing in official hands and a take up of Treasury bills together draining £60m and Exchequer transactions a further £490m. In addition banks brought forward balances just £5m below target. There were partly offset by a fall in the note circulation which added £80m.

The forecast was revised to a shortage of around £650m but the Bank gave no assistance in the morning. A further revision took the forecast to a shortage of around £600m and the Bank gave assistance in the afternoon of £560m through outright purchases of eligible bank bills in band 1 at 9¾ per cent. Late assistance came to £75m, making a total of £635m.

In Frankfurt call money was quoted at 3.60-3.65 per cent compared with 3.55-3.65 per cent on Monday as banks started to take in short term money ahead of tax payments due later in the week. However there was little to suggest that banks were facing any sort of squeeze, and seemed well placed to meet end of month minimum reserve requirements. While holdings at the Bundesbank fell a little towards the end of last week, the average for the first two weeks of the month was still considerably in excess of the expected minimum.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sept.15) 3 months U.S. dollars: bid 7⅞ offer 7⅞ — 6 months U.S. dollars: bid 7⅞ offer 8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

[illegible]

September 15	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.60-3.65	[illegible]	[illegible]	[illegible]	[illegible]	5.0
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Sept. 15	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

WestLB

Fixed Income and Equities Trading – for dealing prices call:

Düsseldorf — Westdeutsche Landesbank, Head Office, P.O. Box 1128, 4000 Dusseldorf 1, International Bond Trading and Sales: Telephone (211) 826 3122/826 3741, Telex 8 581 881/8 581 882

London — Westdeutsche Landesbank, 41, Moorgate, London EC2R 6AE/UK Telephone (1) 638 6141, Telex 887 984

Luxembourg — WestLB International S.A., 32-34, boulevard Grande-Duchesse Charlotte, Luxembourg, Telephone (352) 4 47 41-43, Telex 16 78

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EUROPEAN STOCK/OTC MARKETS
A Euromoney Conference
The Plaza Hotel – New York City – October 1-2, 1987
Opportunities for U.S. Corporations and Outlook for Institutional Investors
Details: UK 01-236-3288 US 305-448-6593

Legal Notices

OAKENGATES FOUNDRY LIMITED (IN RECEIVERSHIP)

NOTICE IS HEREBY GIVEN, pursuant to section 48 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above named company will be held at [illegible] on 22 September 1987 at 3.00 pm for the purpose of [illegible]

[illegible]

DATED this Eighth day of September 1987.
JOHN F. POWELL
Joint Administrative Receiver

CORALSTATE LIMITED
Registered No: 1595716

[illegible]

Dated 26 August 1987

Personal

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FT 30			FTSE 100			WALL STREET		
Sept	1767/73	n/c	Sept	2252/59	−8	Sept	2583/91	−25
Dec	1802/9	n/c	Dec	2297/2304	−8	Dec	2606/16	−26

These Shares have not been registered under the United States Securities Act of 1933 and may not be offered or sold in the United States of America or to citizens or residents thereof except in compliance with applicable securities laws and regulations.
These Shares having been sold, this announcement appears as a matter of record only.

BANCO ESPAÑOL DE CRÉDITO, S.A.
(Incorporated with limited liability in Spain)

BANESTO

Placing of 1,750,000
Ordinary Shares of
Pesetas 500 nominal value each

J. Henry Schroder Wagg & Co. Limited

Dresdner Bank Aktiengesellschaft — Swiss Bank Corporation International Limited

Daiwa Europe Limited

Banco di Roma — Banque de l'Union Européenne

Svenska Handelsbanken Group — Wertheim Schroder International Limited

Savory Milln Limited

July 1987

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY SEPTEMBER 15 1987					MONDAY SEPTEMBER 14 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (93)	172.67	+1.8	155.85	157.22	2.38	169.57	153.57	155.02	172.67	99.92	79.40
Austria (16)	98.15	+0.9	88.60	92.52	2.23	97.31	88.13	91.99	101.62	85.53	93.35
Belgium (48)	129.93	+0.2	117.28	121.12	3.89	129.62	117.39	121.47	134.89	96.19	90.51
Canada (129)	135.54	-0.2	122.35	129.07	2.31	135.84	123.02	129.64	141.78	100.00	6.00
Denmark (39)	115.46	-0.2	104.22	109.85	2.58	115.70	104.79	110.39	124.83	98.18	93.87
France (121)	114.45	-0.3	103.30	108.75	2.59	114.84	104.01	109.30	121.82	98.39	90.60
West Germany (92)	103.28	+0.3	93.22	97.48	1.94	102.93	93.22	97.23	104.93	84.00	93.70
Hong Kong (45)	146.00	+0.1	131.79	146.22	2.47	145.86	132.10	146.04	147.36	96.89	76.90
Ireland (14)	142.00	+0.1	128.17	135.60	3.30	141.90	128.51	135.97	145.49	99.50	85.62
Italy (76)	84.33	-0.9	76.12	82.51	2.21	85.10	77.07	83.35	112.11	84.22	99.67
Japan (458)	142.88	+0.3	128.97	130.05	0.52	142.48	129.04	130.05	161.28	100.00	93.13
Malaysia (36)	177.05	-1.1	159.82	172.08	2.14	178.99	162.11	173.74	193.64	98.24	88.56
Mexico (14)	394.87	-3.2	356.42	663.78	0.45	407.93	369.45	679.05	422.59	99.72	57.36
Netherland (37)	125.88	-0.3	113.62	117.23	3.82	126.31	114.40	117.92	131.41	99.65	95.87
New Zealand (24)	136.01	+2.1	122.77	113.91	2.58	133.17	120.61	113.27	136.01	83.93	70.78
Norway (24)	178.26	+0.7	160.90	160.90	1.70	177.02	160.32	160.26	179.04	100.00	106.61
Singapore (27)	170.45	-1.2	153.85	164.40	1.49	172.51	156.23	166.35	174.28	99.29	89.55
South Africa (61)	183.09	-0.7	165.26	133.42	3.16	184.39	167.00	133.27	198.09	100.00	105.21
Spain (43)	162.72	+0.7	146.88	149.90	2.63	161.63	146.39	149.27	162.72	100.00	94.06
Sweden (33)	130.58	-0.6	117.87	123.38	1.87	131.38	118.99	124.58	132.10	90.85	97.18
Switzerland (53)	109.26	+1.7	98.62	101.98	1.63	107.43	97.29	100.37	110.00	92.01	92.26
United Kingdom (333)	152.60	+0.1	137.75	137.75	3.25	152.48	138.10	138.10	162.87	99.65	94.95
USA (586)	129.87	-1.5	117.23	129.87	2.95	131.87	119.43	131.87	137.42	100.00	96.39
Europe (929)	126.56	+0.1	114.24	117.20	2.81	126.44	114.52	117.38	128.35	99.78	94.53
Pacific Basin (683)	144.15	+0.3	130.11	131.51	0.68	143.65	130.10	131.43	158.77	100.00	92.04
Euro-Pacific (1612)	137.18	+0.3	123.82	125.79	1.46	136.83	123.92	125.81	143.65	100.00	93.03
North America (715)	130.17	-1.4	117.50	129.85	2.92	132.08	119.62	131.77	137.55	100.00	96.45
Europe Ex. UK (596)	110.40	+0.1	99.66	104.45	2.44	110.28	99.88	104.51	111.97	98.02	94.30
Pacific Ex. Japan (225)	159.79	+1.1	144.24	149.68	2.37	158.09	143.18	148.56	159.79	99.92	78.46
World Ex. US (1816)	137.78	+0.2	124.36	126.30	1.51	137.48	124.51	126.34	143.38	100.00	93.26
World Ex. UK (2069)	132.92	-0.5	119.98	126.81	1.91	133.58	120.98	127.62	138.82	100.00	94.43
World Ex. So. Af. (2341)	134.35	-0.4	121.27	127.74	2.04	134.94	122.21	128.51	139.47	100.00	94.40
World Ex. Japan (1944)	130.76	-0.8	118.03	126.72	2.86	131.83	119.39	127.88	134.03	100.00	95.10
The World Index (2402)	134.67	-0.4	121.55	127.82	2.05	135.26	122.50	128.59	139.73	100.00	94.46

Base values: Dec 31, 1986 = 100

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Japanese market closed for public holiday.

EUROPEAN OPTIONS EXCHANGE

Series		Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	May 88 Vol.	May 88 Last	Stock
GOLD C	$460	101	18.50	—	—	10	40	$459.10
GOLD C	$480	22	9.40	104	19.50B	—	—	"
GOLD C	$500	42	4.80	—	—	3	20.50	"
		Sept. 87		Dec. 87		Mar. 88		
SILVER C	$6.00	6	1.70	—	—	—	—	$7.67
SILVER C	$7.00	10	70	—	—	—	—	"
SILVER C	$7.50	—	—	10	71	—	—	"
SILVER C	$8.00	—	—	10	30	—	—	"
		Sept. 87		Oct. 87		Nov. 87		
$/Fl C	Fl.195	39	9.20	5	8.70	—	—	Fl.204.10
$/Fl C	Fl.200	23	4.20	13	6.20	40	5.50	"
$/Fl C	Fl.205	234	0.50	18	2.20	—	—	"
$/Fl C	Fl.210	—	—	—	—	10	1.30	"
$/Fl P	Fl.205	31	1.30	43	3	—	—	"
$/Fl P	Fl.210	39	5.50	25	6.50	3	7.50B	"
		Dec 87		March 88		June 88		
$/Fl C	Fl.195	—	—	—	—	25	10.70A	Fl.204.10
$/Fl C	Fl.200	8	6.20A	4	7.50A	2	B	"
$/Fl C	Fl.205	24	3.60	—	—	8	5.70	"
$/Fl C	Fl.210	20	2	10	3.20	—	—	"
$/Fl C	Fl.220	—	—	10	1.10	11	2.30	"
$/Fl C	Fl.225	—	—	—	—	10	1.10	"
$/Fl P	Fl.190	5	0.80	—	—	—	—	"
$/Fl P	Fl.195	5	1.30B	—	—	—	—	"
$/Fl P	Fl.200	20	3	18	5.20	1	7.20	"
$Fl P	Fl.210	—	—	27	10.80B	—	—	"
		Oct. 87		Jan. 88		Apr. 88		
ABN C	Fl.50	562	1	88	3.50	24	4.60	Fl.48.80
ABN P	Fl.50	79	1900	131	2.80	—	—	"
AEGON C	Fl.85	334	5.60	8	9	—	—	Fl.88.20
AEGON P	Fl.90	5	3.30	34	5.50	5	5.80B	"
AHOLD C	Fl.110	208	2	66	5	3	8.50	Fl.106.80
AHOLD P	Fl.100	63	1.50	15	3.50	—	—	"
AKZO C	Fl.180	2735	4.80	895	10.30B	198	15	Fl.176.60
AKZO P	Fl.170	444	3.20	869	6.60B	21	8.50	"
AMEV C	Fl.70	524	0.50	15	2	3	3	Fl.62.60
AMEV P	Fl.65	18	3.60B	22	4.20	—	—	"
AMRO C	Fl.85	276	2.80	20	6.40	12	8.50	Fl.85.30
ELSEVIER C	Fl.65	161	2.20B	53	5.30	1	6.50B	Fl.62.50
ELSEVIER P	Fl.60	27	1.40	18	3	84	5	"
GIST-BROC.C	Fl.50	118	1.20	237	3.80	20	5	Fl.49.20
GIST-BROC. P	Fl.50	81	1.80	3	3.90	—	—	"
HEINEKEN C	Fl.180	47	4.80	256	11.70	—	—	Fl.177.70
HEINEKEN P	Fl.170	73	2.50	97	4.20A	20	7.20	"
HOOGOVENS C	Fl.50	372	1.80	126	4	66	6.50	Fl.49
HOOGOVENS P	Fl.55	250	6.50	—	—	—	—	"
KLM C	Fl.55	1237	1.30	791	3.60	143	5.50A	Fl.52.60
KLM P	Fl.55	25	3.90	170	5	150	5.80	"
NEDLLOYD C	Fl.190	160	6.70	11	17.50A	12	22	Fl.186
NEDLLOYD P	Fl.170	232	2	8	6.50	3	9	"
NAT.NED. C	Fl.65	1500	12.30A	2	13.50A	—	—	Fl.76.70
NAT NED P	Fl.70	5	0.60	90	1.20	—	—	"
PHILIPS C	Fl.45	2010	7.90A	138	8.80A	—	—	Fl.52.50
UNILEVER C	Fl.144	407	4	75	9.30	—	—	Fl.142.40
UNILEVER P	Fl.144	133	5.90	133	90	—	—	"

TOTAL VOLUME IN CONTRACTS: 45,041

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	10	● Charterhouse Bank	10	Nat Bk. of Kuwait	10
Adam & Company	10	Citibank NA	10	NatWestminster	10
Allied Arab Bk Ltd	10	City Merchants Bank	10	Northern Bank Ltd	10
Allied Dunbar & Co	10	Clydesdale Bank	10	Norwich Gen. Trust	10
Allied Irish Bank	10	Comm. Bk. N. East	10	PK Finans. Intl (UK)	10½
American Exp. Bk	10	Consolidated Crdt	10	Provincial Trust Ltd	11
Amro Bank	10	Co-operative Bank	*10	R. Raphael & Sons	10
Henry Ansbacher	10	Cyprus Popular Bk	10	Roxburghe Guarantee	10½
ANZ Banking Group	10	Duncan Lawrie	10	Royal Bk of Scotland	10
Associates Cap Corp	10	Equatorial Tst plc	10	Royal Trust Bank	10
Authority Bank & Co	10	Exeter Trust Ltd	10½	Smith & Williams Secs	10
Banco de Bilbao	10	Financial & Gen. Sec	10	Standard Chartered	10
Bank Hapoalim	10	First Nat. Fin. Corp	11	TSB	10
Bank Leumi (UK)	10	First Nat. Sec. Ltd	11	UDT Mortgage Exp	¶11.1
Bank Credit & Comm	10	● Robert Fleming & Co	10	United Bk of Kuwait	10
Bank of Cyprus	10	Robert Fraser & Ptrs	11	United Mizrahi Bank	10
Bank of Ireland	10	Girobank	10	Unity Trust PLC	10
Bank of India	10	Grindlays Bank	10	Western Trust	10
Bank of Scotland	10	● Guinness Mahon	10	Westpac Bank Corp	10
Banque Belge Ltd	10	HFC Trust & Savings	10	Whiteaway Laidlaw	10½
Barclays Bank	10	● Hambros Bank	10	Yorkshire Bank	10
Benchmark Tst Ltd	10	Heritable & Gen. Tst	10		
Beneficial Trust Ltd	11	● Hill Samuel	§10		
Berliner Bank AG	10	C. Hoare & Co	10		
Brit Bk of Mid East	10	Hongkong & Shangh	10		
● Brown Shipley	10	Lloyds Bank	10		
Business Mtge Tst	10	Meghraj & Sons Ltd	10		
CL Bank Nederland	10	Midland Bank	10		
Canada Permanent	10	● Morgan Grenfell	10		
Cayzer Ltd	10	Mount Credit Corp. Ltd	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5%. Savewise 7.66%. Top Tier—£2,500+ at 3 months' notice 9.31%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 4.98%. Mortgage 10.5%.

YUKONG LIMITED

(Incorporated in the Republic of Korea with limited liability)

NOTICE

to the holders of the outstanding U.S. $20,000,000 3 per cent. Convertible Bonds due 2001

of

YUKONG LIMITED

(the "Bonds" and the "Company" respectively)

This Notice supersedes the Notices to the holders of the Bonds published on 19th March, 1987 and 28th May, 1987 in the Financial Times and the Luxemburger Wort, insofar as there are any inconsistencies between the contents of this Notice and those of the two earlier Notices.

On 6th June, 1987, the consolidation of the Company's shares into one new share of ₩5,000 par value for every ten existing shares of ₩500 par value became effective. In addition, the Company granted rights to holders of its shares to subscribe for further shares in the Company (as described in the Notice published on 28th May, 1987) and to its employees as at 11th May, 1987 to subscribe for shares in the Company.

Notice is hereby given to the holders of the Bonds that, pursuant to the provisions of the Trust Deed constituting the Bonds, the Conversion Price per share has been adjusted to reflect the above events from ₩5,226 to (A) ₩5,183 with effect from 11th May, 1987 (the date of the granting of rights to employees), (B) ₩51,830 with effect from 6th June, 1987 (the date on which the consolidation became effective) and (C) ₩48,663 with effect from 13th June, 1987 (the day after the record date for the granting of rights to holders of shares).

16th September, 1987 — Yukong Limited

EUROPEAN TEXTILE MACHINERY

The Financial Times is publishing a Survey on the above on

OCTOBER 12, 1987

Subjects which will be covered in the Survey include:

ITMA—this year's record-breaking exhibition;
AUTOMATION—the reality of the fully-automated spinning mill;
NEW TECHNOLOGIES—air-jet, friction and multiple weaving versus ring and rotor spinning rapier and projectile weaving.

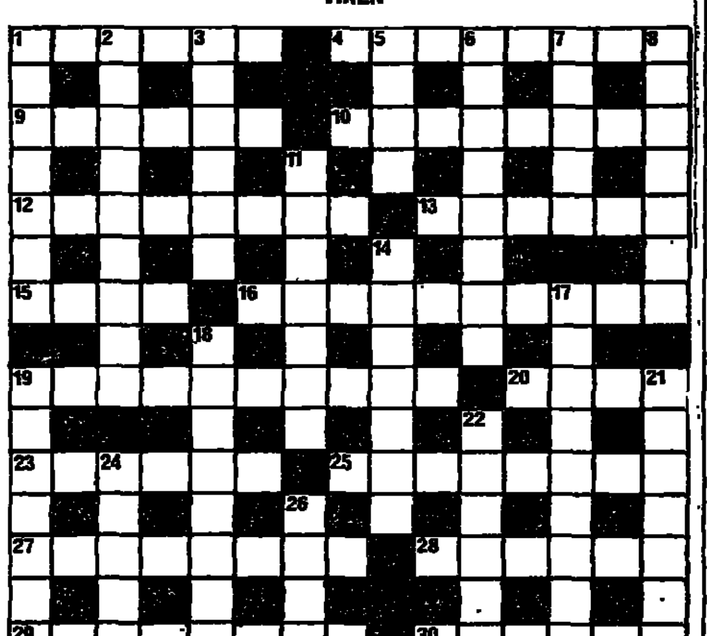
Also which are the major machinery-producing nations and where are the markets.

For further information on advertising, please contact:

RUTH PINCOMBE
Business Development—Europe
Financial Times, Bracken House
10 Cannon Street, London EC4P 4BY
Tel: 01-248 8000 Ext. 3428

FT CROSSWORD PUZZLE No. 6,431

VIXEN



ACROSS

1 The woman in a Greek island uses a club (6)
4 Produced original work when settled (8)
9 An art gallery needs a particular means of ventilation (6)
10 Fruit given for accommodating a chief (8)
12 Bearing in special mixture for the birds (8)
13 Retreating soldiers bring in an impressive device (6)
15 An ordinary seaman receiving a cleric can cause strife (4)
16 After many an adjustment of rates this is official (10)
19 Make a song about little "X" softening up (10)
20 A bragging flier? (4)
23 In Ulster a social worker gets on edge (6)
25 Admire the sapient also (8)
27 Army personnel fall into ranks (8)
28 Most superior if going back home (6)
29 Stretch a leg and note effect (8)
30 Plain about speed (6)

DOWN

1 Music the eccentric plays in company (7)
2 At college the boy's entered only as a server (4, 5)
3 Supplement written in for by Ben, Richard, and John (6)
5 Remaining throughout (4)
6 Supporter of the manual worker on the quiet (8)
7 Make-up wins a lover (5)
8 Brown backed into the entrance, being a generous man (7)
11 A French male sure to be quite unrestrained (7)
14 Design nicest possible figure (7)
17 Delay a sailor—have a meal on the ship (9)
18 Walking free in some discomfort (8)
19 People accepting a place in America (7)
21 Go round making a point about two articles (7)
22 Fail to give uppity salesman his break (6)
24 Some motors originally had such a body (5)
26 A child occupied by the right way to move (4)

Solution to Puzzle No. 6,430

T	A	B	A	R	D		B	E	R	G	A	M	O	T
I		R		O		A		X		O		A		W
P	R	O	N	O	U	N		P	U	R	P	O	S	E
S		K		K		G		L		M		R		E
T	H	E	N		A	L	L	O	C	A	T	I	O	N
A		R		G		E		I		N				Y
F	I	A	C	R	E		S	T	A	D	I	U	M	
F		G		A		R		S		I		N		D
	M	E	A	N	D	E	R		A	S	K	A	R	I
V				D		A		S		E		D		S
A	N	T	I	C	I	P	A	T	E		E	V	I	L
S		W		H		P		O		F		I		O
S	T	E	R	I	L	E		P	R	A	I	S	E	D
A		R		L		A		S		R		E		G
L	A	P	I	D	A	R	Y		N	E	E	D	L	E

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)
39 King William St, EC4R 9AS 01-280 2060

American Growth	111.6	118.8	—	1.56
(Accum Units)	116.9	123.6	—	1.56
American Income	51.6	54.8	+0.8	3.54
(Accum Units)	56.3	59.5	+0.8	3.54
American Sm Cos Fd	51.6	54.6	+0.6	0.48
(Accum Units)	51.6	54.6	+0.6	0.48
British Blue Chip Fund	91.4	98.3	-1.3	2.28
(Accum Units)	92.2	99.2	-0.3	2.28
European Growth	160.0	169.3	+1.6	0.35
(Accum Units)	167.1	176.8	+1.5	0.35
European Income	85.9	90.8	+0.4	3.30
(Accum Units)	90.2	95.4	+0.4	3.30
Extra Inc	355.2	384.3	-3.7	2.34
(Accum Units)	543.0	577.4	-4.6	2.34
General	381.8	405.0	+0.8	1.25
(Accum Units)	638.2	678.3	+1.1	1.25
Gilt	84.9	87.3	-0.1	7.62
(Accum Units)	103.3	105.8	-0.2	7.62
Global Fund	52.8	55.8	+0.8	0.67
(Accum Units)	52.4	55.4	+0.5	0.67
High Income Fund	54.8	57.1	+0.4	4.65
(Accum Units)	54.9	58.0	+0.4	4.65
High Interest Fund	42.0	44.8	-1.2	9.63
(Accum Units)	43.3	45.8	-0.2	9.63
Income	126.8	134.1	+0.1	2.84
(Accum Units)	146.5	154.8	+0.1	2.84
International	310.9	328.9	+0.4	1.31
(Accum Units)	389.0	411.6	+0.5	1.31
Japan	206.1	218.0	+0.2	5.45
(Accum Units)	211.6	223.9	+0.2	5.45
Pacific Fund	60.7	64.2	+0.5	0.10
(Accum Units)	60.7	64.2	+0.5	0.10
Recovery	326.9	349.2	+2.5	1.80
(Accum Units)	354.7	375.3	+2.7	1.80
UK Smaller Co's Fund	56.2	59.4	+0.3	1.60
(Accum Units)	56.7	59.9	+0.3	1.60

Merlin Fund Mngmnt Ltd
30 St James St, London SW1A 1HB 01-925 1277

Merlin Sept 8	627.5	635.5	—	1.08

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ 0707 45184

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA 01-588 3963

PM Equity Growth	119.8	127.5	—	1.01
PM Income and Growth	124.2	130.9	—	2.98
PM N American Growth	57.7	61.3	—	0.34
PM European Growth	52.6	55.9	—	0.56
PM Japan Growth	71.3	75.8	—	0.36
PM Overseas Growth	56.6	60.2	—	0.43

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-59 Ilford Rd, Ilford, Essex IG1 2DL 01-478 3377

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 510033

Rendbury Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2030

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 01-634 2981/4

Standard Life Trust Mgmt. Ltd
3 George St, Edinburgh EH2 2XZ

Stewart Ivory Unit Trust Mgrs Ltd
45 Charlotte Sq, Edinburgh

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham

Sun Life of Canada Unit Mgrs Ltd
Basingview, Basingstoke, Hants

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance—Contd.

Gilt-Edged Inst.	224.8		..	—
Do Accum	276.7		..	—
Guaranteed Inst.	158.9		..	—
Do Accum	195.6		..	—
International Inst.	512.5		..	—
Do Accum	630.2		....	—
Inner Lr Gilt Inst.	134.1			—
Do. Accum.	165.0		....	—

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Property	319.7	+0.2	—
Property Pens.	429.1	+0.3	—
Equity	197.6	+0.3	—
Equity Pens.	895.2	+2.2	—
Money Market	295.5	-0.4	—
Money Mkt. Pens.	532.1	-0.6	—
Deposit	239.0	+0.0	—
Deposit Pens.	382.4	+0.2	—
Managed	298.1	+0.6	—
Managed Pens.	576.2	+1.9	—
Intl. Equity	358.1	+1.7	—
Do. Pens.	584.0	+3.8	—
Intl. Managed	327.5	+1.3	—
Do. Pens.	489.7	+2.6	—
North American	135.9	+1.3	—
Do. Pens.	157.6	+2.1	—
Far East	298.0	+1.3	—
Do Pens.	441.3	+2.6	—
Intnl. Currency	169.5	+1.1	—
Do. Pens.	218.9	+2.0	—
Index Linked	127.6	-0.1	—
S & C Managed Fd	240.0	-2.6	—
S & C Pens Mngd Fd	114.2	-1.7	—
Bell Chambers	129.9	+0.1	—
Loran & Loran	117.7	+0.3	—
Trustlink Life Funds			
Per Worldwide Rec.	171.5	+0.9	—
Per Far East Growth	223.3	+0.6	—
Per Intl Growth	165.4	+0.7	—
Per Income	176.5	+0.0	—
Per Emerging Co's	166.3	+0.2	—
Per American Growth	149.2	+1.5	—
Per European Growth	137.4	+0.2	—
Fra American & Gen	126.8	+0.9	—
Fra Capital	182.6	+0.3	—
Fra Income	190.1	+0.6	—
Fra Intl Growth	138.1	+0.6	—
Fra Japan & Gen	184.3	+1.8	—
Fra Recovery	199.8	+1.6	—
Fra Convertible & Gilt	144.2	+0.3	—
Fra European	140.8	+0.6	—
GAR American	125.8	+2.4	—
GAR European	164.6	-0.2	—
GAR Far Eastern	194.3	-0.1	—
GAR British	180.8	-0.3	—
GAR Global	174.7	+1.0	—
GAR Special Situations	202.5	+0.0	—
GAR Smaller Co's	228.1	+2.0	—
GAR Australian	187.3	+1.5	—
HEN Managed	180.4	+1.5	—
HEN UK Growth	187.6	+1.3	—
HEN UK Income	187.0	+1.0	—
HEN American	127.6	+3.0	—
HEN Far East	193.5	+0.6	—
HEN European	180.5	+0.4	—
HEN Prime Res Prop	103.8	+0.2	—
TSB American	141.0	+2.2	—
TSB General	183.9	+1.2	—
TSB Managed	164.2	+1.1	—
TSB Pacific	193.8	+0.2	—
TSB Selected Opps	188.0	+1.1	—
FID American	115.5	+0.6	—
FID Japan	122.8	+0.4	—
FID European	146.3	+0.4	—
FID UK	152.2	+0.8	—
FID Pacific	156.2	-0.4	—
FID Intl Managed	141.5	+0.6	—
FID Int. Income	124.6	+0.5	—
FID Intl Spec Sits	158.7	+0.7	—

Municipal Life Assurance Ltd
3 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555

Initial Equity	162.0	171.0	+1.0	—
Initial Managed	151.0	159.0	+0.5	—
Initial International	154.0	162.5	+0.5	—
Initial Property	97.0	102.5	....	—
Initial Mixed	108.0	114.5	....	—
Initial European	124.0	131.0	+0.5	—
Initial Five Star	135.0	142.5	+1.0	—
Initial American	116.0	123.0	+2.5	—
Initial World Invest	112.0	118.0	+0.5	—
Initial Emerg. Mkts	122.5	129.5	+0.5	—
Accum. Equity	202.5	213.5	+1.5	—
Accum. Managed	191.0	201.5	+1.0	—
Accum. Intl	179.5	189.5	+0.5	—
Accum. Property	109.0	115.0	....	—
Accum. Mixed	120.0	127.0	....	—

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 3JS 0603 683986

NUAM Funds				
Managed Fund	57.5	60.6	....	—
Stock Market Mngd Fund	59.4	62.6	....	—
Equity Fund	64.0	67.4	....	—
International Fund	56.3	59.3	+0.2	—
European Fund	59.7	62.9	....	—
North American Fund	51.3	54.1	+0.1	—
Pacific Fund	64.6	68.0	....	—
Property Fund	52.2	55.0	+0.1	—
Fixed Interest Funds	47.8	50.4	-0.2	—
Index Linked Sec Fund	45.4	47.8	-0.1	—
Deposit Fund	51.3	54.0	....	—
NUAM Retirement Plans				
Mixed Fund	61.7	65.0	+0.3	—
UK Ordinary Share	73.5	77.6	+0.4	—
International Fund	58.2	61.3	+0.4	—
Property Fund	52.2	55.0	....	—
Fixed Interest Fund	49.6	52.3	....	—
Index Linked Sec Fund	45.7	48.2	....	—
Deposit Fund	53.3	56.2	....	—
NUAM (MF)				
Managed Fund	790.7	832.4	-0.1	—
Equity Fund	1707.7	1797.4	-1.3	—
Property Fund	324.6	341.7	....	—
Fixed Interest Fund	352.5	371.1	-1.4	—
Deposit Fund	209.2	220.3	....	—
International Fund	146.0	153.7	+0.5	—
Index Linked Sec Fund	45.4	47.8	-0.1	—

Norwich Union Life Insurance Soc.
PO Box 4, Norwich NR1 3NG 0603 622200

Pensionmaster* & Unit-Linked Plan*				
Fixed Interest Fund	249.2	262.3	....	—
Index-Linked Sec Fund	129.5	136.1	....	—
Ordinary Share Fund	533.5	561.9	....	—
International Fund	147.2	154.9	....	—
Property Fund	162.6	171.1	....	—
Deposit Fund	167.1	175.8	....	—
Mixed Fund	342.2	360.2	....	—
Norwich Units Aug 15		1035.5		

*Prices as at June 30.

Pearl Assurance (Unit Funds) Ltd
252 High Holborn, London WC1V 7EB 01-405 8441

Prop. Dist. (Gross)(z)	155.1	163.3	....	—
Prop. Acc. (Gross) (z)	242.9	255.7	....	—
Equity (Gross) (z)	780.9	822.0	+4.6	—
Managed (Gross) (z)	519.7	547.15	+2.9	—
Prop. Acc. (Net) (z)	111.9	117.8	....	—
Equity (Net) (z)	167.2	176.0	+1	—

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1987 High	Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
58	42	Greek 7pc Ass.	53	.....	3.50	16.60
52	40	Do. 6pc 28 Stb. Ass.	52	.....	3	15.77
50	45	Do 4pc Mixed Ass.	50	.....	2	14.23
66	58	Hung. '24 Ass	64	.....	2.75	14.30
146½	122¾	Hydro Quebec 15pc 2011	129¾	−⅝	15.00	11.39
136¼	115½	Iceland 14½pc Ln 2016	121⅞	−⅞	14.50	11.83
103½	94	Ireland 9¾pc '91-96	95⅝	−⅝	9.75	10.42

AMERICANS

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
42	32¾	Abbott Laboratories	38½	+¼	$1.00	—	1.6
40¼	20⅝	Alcoa $1	36⅞	−½	$1.20	—	2.0
18¾	13½	Allegheny & W $1.00	14¼	.....	90c	—	1.3
19⅝	8¼	Amax $1	16⅛	.....	—	—	—
27¼	17¼	Amdahl 5c	27	+½	20c	—	0.5
35⅛	25⅛	Amer. Cyanamid $5	31¼	+⅛	$1.90	—	3.7
25⅝	18	Amer. Express $0.60	23¾	+⅛	$1.44	—	3.8
12⅞	994p	Amer. Medical Int. $1	10¼	+¼	72c	—	4.1
22¾	14¼	American T. & T. $1	20⅛	+¼	$1.20	—	3.7
[illegible]	[illegible]	Ameritech $1	[illegible]	[illegible]	[illegible]	—	5.0
[illegible]	[illegible]	Amoco	[illegible]	[illegible]	[illegible]	—	[illegible]

Continued on next page

Money Market Bank Accounts

Western Trust & Savings Limited
The Moneycentre, Plymouth PL 1SE 0752 224141
High Int Chq Acc. 9.56 7.19 10.12 Qr

Wimbledon & South West Finance Co Ltd
114 Newgate St, London EC1A 7AE. 01-606 9485
High Int Cheque Acc. 10.00 7.53 10.61 Qr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Funds Money Mngmt Co Ltd				
Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461				
CAFCASH Call Fund	9.15	6.88	9.67	3-mth
CAFCASH 7-day Fund	9.12	6.86	9.65	3-mth
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	9.30	−	9.63	—
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fund	8.98	6.76	9.41	6-Mth
7-day Fund	9.17	6.90	9.62	6-Mth
Dollar	6.06	4.56	6.30	3-Mth

UNIT TRUST NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase, xd ex dividend.

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
30⅞	22⅞	Sara Lee $1	27⅞xd	.....	$1.00	—	2.2
11⅞	8⅞	Saul (B. F.) $1	11¼xd	.....	20c	—	1.1
26⅞	19⅞	Southwestern Bell $1	24⅞	+½	h$2.32	—	5.8
19	14¼	Staley Continental	18⅞	−⅛	80c	—	2.7
44⅞	35⅞	Sun Co. Inc. $1	35⅞	+¼	$3.00	—	5.2
42¼	28½	TRW Inc. $0.625	39⅞	+1⅞	h$1.60	—	—
34⅞	25⅞	Tenneco $5	33⅞	−⅞	$3.04	—	5.6
202½	149½	Do. 10pcLn.Stk. 91-5	202½xd	.....	10%	—	5.0
29⅞	17⅞	Texaco $6.25	26⅞xd	+2⅞	$3.00	—	6.9
74⅞	47⅞	Time Inc. $1	65⅞xd	−⅞	$1.00	—	0.9
19⅞	11	Tracor $0.33	19⅞	+⅛	40c	—	1.2
30¼	18⅞	Transamerica $1	26⅞	.....	$1.76	—	4.0
19½	922p	Transworld Corp $5	12¼	−¼	20c	—	1.0
49½	29⅞	TRINOVA Corp.	46¼	+⅞	h$1.00		1.3
24⅞	15⅞	♦USX $1	21½	−⅞	$1.20	—	3.4
19⅞	15⅞	Union Carbide $1	17¼	−⅞	$1.50	—	5.3
37⅞	26⅞	Utd. Technologies	34⅞xd	+⅞	$1.40	—	2.5
38⅞	27	US West‖	34½	+⅞	$3.28	—	5.8
30½	17⅞	Waste Management $1	28⅞	+¼	—	—	—
£31⅞	£20½	Whirlpool $1.0	£23⅞	+⅞	—	—	—
37⅞	26	♦Woolworth $3½	31⅞	+1⅞	$1.32	—	2.6

CANADIANS

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
691p	373p	ABM Gold Corp ‖	376p	−17	—	—	—
21½p	10p	♦Abbot Energy Corp.	28¼p	.....	—	—	—
15⅞	506p	♦Amer. Barrick Res.	15⅞xd	+1⅞	—	—	—
122p	52p	♦Arraeno	81p	+5	—	—	—
19⅞	14⅞	Bk. Montreal ‖	14⅞	.....	$2.00	—	6.2
10⅞	745p	Bk. Nova Scot.‖	788p	+3	72c	—	4.2
20⅞	18	BCE ‖	18⅞	.....	$2.40	—	6.0
10⅞	712p	♦Bow Valley‖	840p	−3	40c	—	—
20	12⅞	♦Brascan‖	18¼	+½	88c	—	2.2
609p	277p	♦Breakwater Res.	405p	+1	—	—	—

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Continued

[illegible]

LEISURE

[illegible]

MOTORS

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

FINANCE, LAND—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- $ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	96	.....	Fin. 13% 97/02	£109¼	.....
Craig & Rose £1	723	+13	Arnotts	375	.....
Finlay Pkg. 5p	111	.....	CPI Hldgs	85xd	.....
Holt (Jos) 25p	£18¼	.....	Carroll Inds.	190	.....
IoM Stm. £1	173	.....	Dublin Gas	40d	.....
			Hall (R. & H.)	134xd	.....
IRISH			Helton Hldgs.	55	−5
Fund 11¼% 1988	£100¼	.....	Irish Ropes	185	−20
Nat. 9¾% 84/89	£97½	.....	Unidare	425	+5

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	40	NEI	13
Amstrad	19	Nat West Bk	65
BAT	62	P & O Dfd	65
BOC Grp.	58	Plessey	20
BSR	17	Polly Peck	34
BTR	36	Racal Elect	32
Babcock	32	RHM	35
Barclays	52	Rank Org Ord	70
Beecham	52	Reed Intnl	50
Blue Circle	50	STC	38
Boots	30	Sears	16
Bowaters	50	TI	37
Brit Aerospace	50	TSB	12
Brit. Telecom	28	Tesco	18
Burton Ord	32	Thorn EMI	65
Cadburys	25	Trust Houses	25
Charter Cons.	45	Turner Newall	26
Comm Union	34	Unilever	62
Courtaulds	45	Vickers	20
FNFC	32	Wellcome	42
Gen Accident	95	Property	
GEC	22	Brit Land	30
Glaxo	200	Land Securities	50
Grand Met	50	MEPC	48
GUS 'A'	125	Peachey	40
Guardian	95	Oils	
GKN	38	Brit Petroleum	32
Hanson Tst	17	Britoil	30
Hawker Sidd	58	Burmah Oil	52
ICI	125	Charterhall	10
Jaguar	52	Premier	11
Ladbroke	45	Shell	125
Legal & Gen	32	Tricentrol	11
Lex Service	45	Ultramar	26
Lloyds Bank	35	Mines	
Lucas Inds.	75	Cons Gold	125
Marks & Spencer	22	Lonrho	28
Midland Bk	45	Rio T Zinc	100
Morgan Grenfell	55		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Situation equities and new long bond stock dominate interest in subdued markets

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Aug 24	Sept 10	Sept 11	Sept 21
Sept 14	Sept 24	Sept 25	Oct 5
Sept 28	Oct 8	Oct 9	Oct 19

* New time dealings may take place from 9.00 am two business days earlier.

Facing a blank day in the week's economic calendar, the UK securities market coped well with a reduction in activity before turning down on early Wall Street indications yesterday. US investment confidence was dented by fresh pointers, which re-directed attention to the yawning deficit on current account.

From the outset, London marketmakers were looking for slightly easier values. It soon became evident that institutional investors were continuing to adopt a neutral stance, although analysts broadly agreed the August wholesale prices (released on Monday) showed no sign of overheating in the economy.

Several fund managers spoke highly of the market, impressed by its underlying resilient qualities, but few were prepared to take an aggressive approach. Funding shortages could be a problem; Wood Mackenzie calculates aggregate cash calls on equities this year of £21bn, as much as the combined total of the previous three years.

Commenting on equity prospects, broking house James Capel believes "the re-establishment of the bull run in the market looks like being an uphill struggle. Just as some confidence in the domestic environment seemed to be returning, the international factor reared its ugly head. The way forward is to re-affirm belief in the basic robustness of the UK economic and financial scene."

News items encouraged business in selected stocks, while situation issues alos attracted interest. Sterling's firmer trend against the dollar failed to deter US support of English China Clays and Rank Organisation; analyists have been invited to meet the new finance director of the latter group today.

The FT-SE 100 share index was 8.8 lower soon after 10 am, a touch higher at 1 pm and finally 7.3 down on balance at 2,264.5.

SEAC bargains totalled 31,573 compared with 39,878 on Monday.

Gilt-edged stocks marked time awaiting details of the experimental long bond auction. These were announced at 3.30 pm and the market immediately began trading in "when issued" form. The first surprise was the issue of only £800m of the stock, comprising a further tranche of the existing Treasury 9 per cent 2008; a £1bn auction had been widely expected. The second was the party-paid form, with the remaining call of £40 due on November 9.

Traders responded enthusiastically, deeming the issue a good tradeable stock, and considerable business developed. Switching operations constituted the major play and the stock settled at the day's best of £52.30.

British Telecom, given a major buffetting in the past week or so by criticism in the national press and by the retirement of the chairman, endured another flurry of selling pressure following a press report that Professor Bryan Carsberg, Director-General of communications watchdog OFTEL, may well seek a Monopolies Commission investigation into Telecom's pricing arrangements next year.

In a turnover approachng 10m shares, British Telecom dropped to 254p before steadying to close a net 7½ off at 255p.

Bass, the UK's largest brewer, advanced 13 to 982p with just over 1m shares changing hands, as the market adopted a favourable view of the group's latest diversification from its core activity. The purchase of a string of hotels and related assets from Holiday Corp of the US, the master company behind the worldwide Holiday Inns International chain, for a partly deferred consideration of $475m (£290m) is seen as closely mirroring Ladbroke's recent acquisition of the Hilton International group.

Mr John Spicer at Kleinwort Grieveson described the deal as "neutral to slightly positive" for Bass, and added that it would make the group "one of the major players in the world hotel market" as well as lessening its dependence on the rather static UK beer market. Mr Ian Prosser, managing director of Bass, said that the deal would enable the hotels division to significantly improve its contribution to group profits.

Midland Bank shares blew hot and cold during a slightly smaller trade, which topped 3m shares. The price rose to 513p at one point when it was revealed that Hanson Trust had increased its stake to 6.17 per cent—made up by a stake of 21.97m ordinary shares and options to buy another 6.79m shares.

However, persistent profit-taking ensued and Midland ran back to end the day a share off on balance at 508p. The decline was triggered to a certain extent by the view that the Hanson stake could have been built up as a possible defensive measure against an overseas predator.

Royal Insurance, the UK's biggest composite insurance group, spurted 13 to 567p on a turnover of 2.4m shares and it was confirmed after the close that Jomet Proprietary, a part of John Spalvin's Adsteam group, has built up a stake of 5.01 per cent in the UK concern. Since being rekuired to announce its stake the "down-under" interests have picked up a further 500,000 Royal shares, giving them a stake of 5.12 per cent, or 24.3m ordinary shares.

The merchant banks continued to mirror takeover speculation, after Saatchi Saatchi's stated intention of expanding into the financial services area. Guinness Peat, where Equiticorp has made a 110p a share bid for the company, moved up 1p to 116p, after 117p, on hopes that a counter is imminent; Robert Maxwell is said to have offered to buy Equiticorp's 35.6 per cent stake and built up a 2 per cent interest in Guinness Peat. Hill Samuel, where "down-under" groups FAI and Consolidated Press speak for 14.7 per cent and 13.07 per cent of the equity, jumped 9 to 655p. S. G. Warburg edged up 4 more to 486p and were also viewed as a possible takeover target, was were Kleinwort Benson, a like amount firmer at 539.

Life assurances featured Abbey Life which jumped 11½ more to 320p, still boosted by the Morgan Grenfell buy recommendation. Legal & General slipped 5 to 325p in front of today's interim results; Morgan Grenfell are going for a pre-tax profit of £38m and BZW are forecasting £37.5m, with the interim dividend forecast up to 4p net. In composites Commercial Union remained buoyed by the James Capel buy recommendation and moved up 8½ more to 382½p.

Ifnterim figures from Willis Faber were labelled disappointing by traders and Willis shares ran back sharply to close 19 off at 356p. Elsewhere in the brokers the Robert Holmes à Court-controlled Dewey Warren jumped 9 to 308p amid expansion hopes.

Extremely subdued conditions prevailed throughout leading Breweries, although sentiment was aided to a small extent by Wood Mackenzie which reiterated its strong stance on the sector where it believes a "re-rating is long overdue." Guinness hardened a few pence to 378p awaiting tomorrow's half-timer.

The Construction sector continued to be excited by Monday's after-hours' announcement that Trafalgar House had acquired a near 5 per cent stake in Costain; the latter, despite Trafalgar House's statement that the shareholding represented a trade investment, moved ahead strongly on takeover hopes to close 14 higher at 374p, a two-day rise of 31. Taylor Woodrow rose 10 to 460p in sympathy, while AMEC, still the subject of a squeeze on bear positions, firmed 6 afresh to 398p.

Brent Chemicals International again showed disappointment with the interim results and the close was 8 down at 194p for a two-day fall of 21. Creda International Deferred revealed unexciting half-year figures and settled 11 off at 251p, but Coates Brothers "A" gained 14 to 348p on the announcement that Markheath Securities now speaks for 16.47 per cent of the equity.

Storehouse, Sir Terence Conran's high street retail empire, provided some excitement to late trading in an otherwise rather subdued Stores sector. Storehouse shares, already standing a few pence below the overnight position, dipped sharply late to close a net 20 down at 352p, following a lively turnover as rumors swept the market that Mountleigh was now not prepared to launch a full-scale offer for the group. Mountleigh, the property company headed by Mr Tony Clegg which recently won control of the Pension Fund Property Unit Trust for £271m cash, advanced 10 to 270p.

Elsewhere in Stores, Next hardened a few pence to 340p as the figures exceeded most City estimates; BZW rate Next shares as a "long-term buy." Further consideration of the half-timer clipped a few pence more from Ward White at 403p, while news that the group had sold its 29.14 per cent stake in Stead and Simpson to Tozer International lifted Stead and Simpson "A" shares a penny to 127p. Top Value, announcing interim results together with the proposed acquisition of Continental, a fashion accessory retailer, put on 5 to 116p. Miller and Santhouse, the optical chain, fell 35 to 615p as the expected sharp increase in full-year profits was accompanied by a proposed £5m rights issue.

Granada moved up strongly and closed 10 higher at 349p on news that the group had sold 45 of its European TV ad video rental outlets to the Thorn EMI group for £53m. Thorn EMI shares were little changed at 661p.

Press suggestions that the company could well attract the attention of a possible predator helped Simon Engineering rally 3 to 340p. United Spring featured with a 16 leap to 127p on news that BBA Group had acquired a 12.4 per cent stake in the company. Press Tool jumped 50 to 575p as the bid from Fremont Corporation was extended to September 28. Wheway raced up 6 to 58p amid talk of an imminent bid, while the doubled profits lifted Hall Engineering 12 to 368p.

Interest in the Food sector was confined to a handful of stocks. Banks Hovis McDougall gained 7 to 335p on Goodman Fielder bid speculation, while United Biscuits edged up 2 to 322p awaiting today's interim results. Argyll firmed 7 to 423p following the annual meeting, but Dalgety softened a couple of pence to 373p after comment on the annual results. Elsewhere, Bernard Matthews fell 23 to 132p on details of reduced half-year profits.

Fisons provided an isolated dull feature among miscellaneous industrial stocks, falling 20 to 334p after revealing mildly disappointing interim profits; but some brokers have trimmed their forecasts for the full year and pointed to the company's cautious stance on prospects for is new respiratory drug Tiladé. Elsewhere, English China Clays rose 20 to 522p on talk of US support, while Rank Organisation gained 19 to 690p ahead of a major presentation to analysts. British Syphon put on 14 to 186p on buying ahead of the results due shortly, while Keep Trust, following the Fitzwilton capital injection, returned from suspension some 113p higher at 628p. Details of the company's redundancy package of £20m—the group is looking to prune around 750p staff—made no apparent impact on Waterford which closed unchanged at 117p. Mayborn dipped 13 to 173p following reduced interim profits, but Falcon Industries added a couple of pence to 105p reflecting the impressive half-timer. Dealings in Hawtal Whiting were suspended at 435p at the company's request pending an announcement. Keep Trust returned from suspension following details of the capital injection through the purchase of a 30 per cent stake by ex-international rugby player Dr Tony O'Reilly's Fitzwilton, and closed at 628p compared with the suspension price of 515p.

Spectrum, which traded around the 58p level only last Thursday, touched 138p at one stage prior to closing some 26 higher at 128p as the company revealed the acquisition of Match Data, a distributor of computers and office supplies, however, demand for the shares was really motivated by the news that Mr Neil Scott, former chairman of Owners Abroad, along with Standard Chartered Merchant Bank and others, had acquired 3.65m shares in the company which, following the acquisition of Match Data, will equate to 22.5 per cent of the enlarged equity.

Saatchi and Saatchi dipped 22 to 635p following confirmation of the acquisition of Peterson, the US consultancy litigation group. Lowe Howard-Spink, which on Monday also revealed proposals for further expansion in the US, gave ground afresh to close 13 off on balance at 513p.

Leading Properties moved narrowly. Land Securities edged up 6 to 594p, but MEPC were a shade cheaper at 567p, while Hammerson A, as recent bid speculation faded, eased 8 to 673p. Peachey attracted occasional buying interest at 443p, up 3, while Brixton Estate firmed 5 to 285p following the interim figures. Merivale Moore, still responding to the excellent results and confident statement, gained 15 to 480p, a two-day rise of 45. Rivlin firmed 8 to 193p on acquisition rumours, while Trafford Park Estates moved up 55 to 475p in a restricted market.

LASMO's interim figures were at the bottom end of market expectations and LASMO shares slipped 4 to 396p.

Sold down to £14¾ after the preliminary profits—which at £244.4m were 80 per cent up on last time and at the top end of expectations—Consolidated Gold Fields shares subsequently rallied on news that the T. Boone Pickens—led Ivanhoe Partners grouping had increased its offer for Newmont Mining to $105 a share.

The share price moved up to £15¼ prior to closing unchanged on balance at £15¼. Greenwich Resources were changing hands at 404p before the 5 pm suspension at the company's request.

Proceedings in traded options were dominated by Hanson Trust; news that the group had acquired a disclosable interest in Midland Bank merely served, in operators' views, to illustrate the stock's trading potential. Consequently, Hanson attracted 8,702 calls, 1,378 of which were done in the September 180's, with most of the remainder distributed throughout the December series. Another lively turnover was also noted in British Telecom with 1,237 calls and 3,105 puts transacted. The FT-SE 100 index contract contributed 1,518 calls and 1,395 puts. Total contracts struck amounted to 39,898.

Traditional Options

- First dealings Sept 1
- Last dealings Sept 18
- Last declaration Dec 3
- For Settlement Dec 14

For rate indications see end of London Share Service

Money was given for the call of Ultramar, Astra Holdings, Feedex, International City Holdings, Alpine Soft Drinks, Cardiac, Bristol Channel Ship Repairers, BTZ, Midland Bank, North Kalgurli, Owners Abroad, Greenwich Resources, Blacks Leisure, Unigate, Bula, Property Trust, Applied Holographics, Wiseway, Abaco, Norfolk Capital and Wm Morris Fine Arts. Puts were taken out in Central Securities, Excalibur and Peek. Doubles were transacted in TV-am, Barratt Developments, Owners Bread and Greenwich Resources.

FINANCIAL TIMES STOCK INDICES

	Sep. 15	Sep. 14	Sep. 11	Sep. 10	Sep. 9	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	85.45	85.47	85.43	85.33	85.19	85.88	93.32 (8/5)	84.49 (4/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	91.60	90.89	90.92	90.81	91.52	92.76	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1775.4	1775.4	1763.8	1761.3	1756.1	1262.2	1,926.2 (16/7)	1,320.2 (2/1)	1,926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	445.8	449.5	453.0	448.9	448.6	317.9	497.5 (4/8)	288.2 (2/1)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.29	3.30	3.33	3.33	3.33	4.40				
Earnings Yld.% (full)	8.07	8.07	8.14	8.15	8.15	10.14				
P/E Ratio (net) (*)	15.17	15.16	15.04	15.02	15.02	12.09				
SEAQ Bargains (5 pm)	31,573	39,878	47,765	34,292	31,312					
Equity Turnover (£m)	—	1376.34	1247.38	1344.71	1037.36	534.79				
Equity Bargains	—	52,149	49,337	38,933	35,145	19,263				
Shares Traded (ml)	—	527.6	626.7	433.8	444.3	222.4				

S.E. ACTIVITY

Indices	Sep. 14	Sep. 11
Gilt Edged Bargains	93.1	105.1
Equity Bargains	337.9	319.7
Equity Value	2781.9	2521.3
5-Day Average		
Gilt Edged Bargains	102.8	102.9
Equity Bargains	273.3	252.1
Equity Value	2456.8	2225.7

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1774.8	1771.9	1772.0	1776.8	1779.4	1778.5	1774.4	1775.7

Day's High 1779.4 Day's Low 1771.6. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. * Nil=14.92.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (94)

AMERICANS (3), CANADIANS (1), BANKS (3), BUILDINGS (3), CHEMICALS (3), STORES (3), ELECTRICALS (9), ENGINEERING (8), HOTELS (1), INDUSTRIALS (18), LEISURE (2), MOTORS (2), PAPERS (3), PROPERTY (3), SHIPPING (2), SOUTH AFRICANS (1), TEXTILES (1), TRUSTS (13), OILS (1), PLANTATIONS (1), MINES (12), THIRD MARKET (1).

NEW LOWS (3)

BANKS (1) MCorp, ELECTRICALS (1) Highland Electronics, PAPERS (1) Michael (J) Design.

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

	Tuesday September 15 1987: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Mon Sep 14 Index No.	Fri Sep 11 Index No.	Thu Sep 10 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (211)	[illegible]									
2 Building Materials (30)	[illegible]									
3 Contracting, Construction (33)	[illegible]									
4 Electricals (12)	[illegible]									
5 Electronics (35)	[illegible]									
6 Mechanical Engineering (59)	[illegible]									
8 Metals and Metal Forming (7)	[illegible]									
9 Motors (14)	[illegible]									
10 Other Industrial Materials (21)	[illegible]									
21 CONSUMER GROUP (183)	[illegible]									
22 Brewers and Distillers (22)	[illegible]									
25 Food Manufacturing (24)	[illegible]									
26 Food Retailing (16)	[illegible]									
27 Health and Household Products (10)	[illegible]									
29 Leisure (31)	[illegible]									
31 Packaging & Paper (15)	[illegible]									
32 Publishing & Printing (13)	[illegible]									
34 Stores (36)	[illegible]									
35 Textiles (16)	[illegible]									
40 OTHER GROUPS (89)	[illegible]									
41 Agencies (18)	[illegible]									
42 Chemicals (21)	[illegible]									
43 Conglomerates (12)	[illegible]									
45 Shipping and Transport (12)	[illegible]									
47 Telephone Networks (2)	[illegible]									
48 Miscellaneous (24)	[illegible]									
49 INDUSTRIAL GROUP (483)	[illegible]									
51 Oil & Gas (17)	[illegible]									
59 500 SHARE INDEX (500)	[illegible]									
61 FINANCIAL GROUP (118)	[illegible]									
62 Banks (8)	[illegible]									
65 Insurance (Life) (9)	[illegible]									
66 Insurance (Composite) (7)	[illegible]									
67 Insurance (Brokers) (8)	[illegible]									
68 Merchant Banks (11)	[illegible]									
69 Property (47)	[illegible]									
70 Other Financial (28)	[illegible]									
71 Investment Trusts (91)	[illegible]									
81 Mining Finance (2)	[illegible]									
91 Overseas Traders (10)	[illegible]									
99 ALL-SHARE INDEX (721)	[illegible]									
FT-SE 100 SHARE INDEX ‡	2264.5	−7.3	2272.1	2258.8	2271.8	2261.2	2253.2	2249.1	2275.8	1596.7

(For the FT-SE 100 row the column heads read: Index No. | Day's Change | Day's High | Day's Low | Sep 14 | Sep 11 | Sep 10 | Sep 9 | Sep 8 | Year ago.)

FIXED INTEREST

	PRICE INDICES	Tue Sept 15	Day's change %	Mon Sept 14	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	120.79	+0.05	120.73	—	7.72
2	5-15 years	134.02	—	134.02	—	9.88
3	Over 15 years	141.02	+0.01	141.02	—	9.73
4	Irredeemables	155.03	−0.19	155.33	—	8.81
5	All stocks	131.77	+0.02	131.75	—	9.23
	Index-Linked					
6	5 years	120.05	+0.12	119.91	—	2.18
7	Over 5 years	112.43	+0.31	112.08	—	2.60
8	All stocks	112.89	+0.30	112.56	—	2.55
9	Debentures & Loans	114.11	−0.02	114.14	—	7.25
10	Preference	83.96	+0.11	83.87	—	4.30

	AVERAGE GROSS REDEMPTION YIELDS		Tue Sep 15	Mon Sep 14	Year ago (approx.)
	British Government				
1	Low	5 years	9.64	9.66	8.85
2	Coupons	15 years	9.89	9.88	9.76
3		25 years	9.75	9.75	9.81
4	Medium	5 years	10.37	10.38	10.25
5	Coupons	15 years	10.17	10.16	10.12
6		25 years	9.95	9.95	9.89
7	High	5 years	10.46	10.48	10.34
8	Coupons	15 years	10.34	10.33	10.29
9		25 years	9.98	9.97	9.96
10	Irredeemables		9.99	9.99	9.65
	Index-Linked				
11	Inflation rate 5%	5 yrs.	3.36	3.39	3.91
12	Inflation rate 5%	Over 5 yrs.	4.03	4.05	3.49
13	Inflation rate 10%	5 yrs.	3.32	3.35	2.49
14	Inflation rate 10%	Over 5 yrs.	4.02	4.04	3.32
15	Debs &	5 years	11.43	11.42	10.86
16	Loans	15 years	11.42	11.41	10.85
17		25 years	11.42	11.41	10.88
18	Preference		10.86	10.87	10.92

‡ Opening index 2257.9; 10 am 2263.3; 11 am 2268.7; Noon 2270.5; 1 pm 2272.0; 2 pm 2271.0; 3 pm 2265.2; 3.30 pm 2265.1; 4 pm 2265.1

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
[illegible]							

September 14. Total Contracts 39,898. Calls 28,766. Puts 11,123. FT-SE Index Calls 1,518. Puts 1,395.
*Underlying security price.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
[illegible]							

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	[illegible]		
Corporations, Dominion and Foreign Bonds	[illegible]		
Industrials	[illegible]		
Financial and Properties	[illegible]		
Oils	[illegible]		
Plantations	[illegible]		
Mines	[illegible]		
Others	[illegible]		
Totals	796	744	1,370

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or −	Net Div.	Times Covered	Gross Yield	P.E. Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or −
[illegible]							

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or −
[illegible]							

[illegible]

WORLD STOCK MARKETS

AUSTRIA

Sep. 15	Price Sch%	+ or −
Creditanstalt	2135	+35
Goesser	3230	+10
Interunfall	12350	+10
Jungbunzlauer	8450	−30
Laenderbank	1930	−5
Perlmooser	722	.....
Steyr-Daimler	121	−2
Veitscher Mag	848	+8

BELGIUM/LUXEMBOURG

Sep. 15	Price Frs.	+ or −
B.B.L.	5280	−20
Banque Gen. Du L.	14875	.....
Bank Int. A	14300	.....
Bekaert B	11600	−25
Ciment CBR	6200	−50
Cockerill	185	+2
Colruyt	11525	+25
Delhaize	4600	−50
EBES	4895	−20
Fabrique Nat	1450	−14
GB Inno BM	1394	−4
GBL (Brux) L	4080	.....
Generale Bank	6300	.....
Gevaert	8300	+100
Hoboken	8400	+10
Intercom	3855	−25
Kredietbank	4650	−120
Pan Holdings	13400	+100
Petrofina	13450	+75
Raffinerie Tirle	1835	+15
Royale Belge	6090	+10
Soc Gen Belge	3790	−10
Sofina	15250	+50
Solvay	14350	−100
Stanwick Intl.	550	.....
Tractebel	7930	+80
UCB	10650	−250
Wagons Lits.	5710	−20

DENMARK

Sep. 15	Price Kr %	+ or −
Baltica Hldgs.	975.00	−10
Cop Handelsbank	248.00	−2
D. Sukkerfab	283.00	−4
Den Danske Bank	348.00	−2
East Asiatic	195.00	−2
Forenede Bryggi	930.00	−5
GNT Holding	216.00	+5
I.S.S.B. Systems	800.00	—
Jyske Bank	510.00	.....
Novo Inds.*	224.00	+1
Privatbanken	259.00	−2
Sophus Berendsen	990.00	.....
Superfos	227.00	−3

FINLAND

Sep. 15	Price Mka	+ or −
Amer	248.5	+5.5
KOP	56.65	+0.4
Kone	238	.....
Finnish Sugar	88.75	+0.5
Kymmene	134.5	−3
Nokia	234.5	+6
Pohjola "B"	115.5	.....
Rauma-Repola	33.25	−0.15
Stockmann "B"	291	+3
UBF "C"	34.95	+1.9
Utd. Paper	157.5	−1
Wartsila (s13)	246.5	.....

FRANCE

Sep. 14	Price Frs.	+ or −
Emprunt 4½% '73	1863	−4
Emprunt 7% 1973	9045	+54
Accor	469	−5
Agence Havas	539	−16
Air Liquide	675	+1
Alcatel	2370	−5
BIC	801	−27
BNP (Cert. Inv.)	475	−4
Bongrain	2950	.....
Bouygues	1200	−25
BSN Gervais	5380	−10

GERMANY

Sep. 15	Price Dm.	+ or −
AEG	397	−5
Allianz Vers	2100	+15
BASF	378.50	+5.5
Bayer	362.60	+8.6
Bayer-Hypo	522.50	+19.5
Bayer-Vereln	497	+10
BHF-Bank	479.50	+7.5
BMW	756	+3
Brown Boveri	361	−8
Commerzbank	305.50	+6
Cont'l Gummi	345.20	+0.2
Daimler-Benz	1097.50	−2.5
Degussa	539	+10.5
D'sche Babcock	295.50	+2.5
Deutsche Bank	697.80	+13.3
Dresdner Bank	365.50	+8
Feldmuehle Nobel	328	+1
Henkel	572	+7
Hochtief	698	+10
Hoechst	329	+4.6
Hoesch Werke	128.50	+3
Holzmann (P)	420	+2
Horten	235	+1
Husel	664	+11
Karstadt	579.50	+16.5
Kaufhof	510	+5
KHD	187	+1
Kloeckner Werke	142	.....
Linde	753	+5
Lufthansa	178.80	+2.3
MAN	190.80	+0.3
Mannesmann	178	+4
Mercedes Hld.	961	+8
Metallgesell	370	+10
Muench Rueck	2140	+50
Nixdorf	837.50	+16
Porsche	995	+10
Preussag	202.50	+4.5
Rhein West Elect.	255.50	+6
Rosenthal	300	+20
Schering	611.80	+2.8
Siemens	645	+19.5
Thyssen	135.70	+2.7
Varta	367	+5
Veba	320	+4
V.E.W.	169	−2.5
Verein-West	465	+2
Volkswagen	400	+0.5

ITALY

Sep. 15	Price Lire	+ or −
Banca Com'le	2690	.....
Bastogi-IRBS	361.00	.....
CIR	5065	.....
Credito Italian	1750	.....
Fiat	10180	−90
Generali Assicur	121,500	.....
Italcement	100,500	−1600
La Rinascente	999	.....
Montedison	2190	−26
Olivetti	10900	−155
Pirelli Co.	5550	.....
Pirelli Spa	4026	.....
Saipem	3520	.....
Snia BPD	3050	.....
Toro Assic	25030	.....

NETHERLANDS

Sep. 15	Price Fls.	+ or −
ACF Holding	60.50	+0.2
AEGON	88.20	+0.4
Ahold	106.80	+1.7
AKZO	176.60	.....
ABN	48.80	−0.4
AMEV	62.60	+0.3
AMRO	85.30	−0.5
Boskalis-Tet	63.40	−0.6
Dordtsche Petroleum	235.50	−2
Elsevier	62.50	−0.8
Fokker	57.00	.....
Gist Brocades	49.20	+0.1
Heineken	177.70	−2.8
Hoogovens	49.00	+0.4
Hunter Douglas	61.00	+0.4
IHC Caland	29.80	+0.2
Int. Mueller	68.50	.....
KLM	52.60	[illegible]

SPAIN

Sep. 15	Price Pts. %	+ or −
Alcazar	630.00	.....
Banco Bilbao	1860.00	+10
Banco Central	1069.00	.....
Banco Exterior	498.00	+8
Banco Hispano	795.00	+10
Banco Popular	2046.00	+71
Banco Santander	1220.00	+16
Banco de Vizcay	2060.00	+65
Banesto	1199.00	.....
Dragados	820.00	−5
Hidrola	105.50	−1.5
Iberduero	142.50	+2
Petroleos	755.00	+6
Telefonica	232.70	−2

SWEDEN

Sep. 15	Price Kroner	+ or −
AGA (free)	220.00	−3
Alfa-Laval	362.00	+1
ASEA (Free)	450.00	−3
Astra B (Free)	253.00	.....
Atlas Copco	192.00	−3
Beijer A Fria	233.00	.....
Cardo (Free)	328.00	.....
Cellulosa	344.00	−2
Electrolux B	334.00	−3
Ericsson	235.00	−3
Esselte	200.00	−1
Mo Och Domsjo	469.00	−1
Pharmacia	230.00	−4
Saab-Scania (free)	290.00	+15
Sandvik	214.00	.....
Skandia Ins.	208.00	−2
Skandia Intl.	297.00	−1
Skan Enskilda	155.00	−2
SKF	374.00	−5
St. Kopparbergs	410.00	+1
Svia Handelsbn	540.00	.....
Swedish Match	116.00	−3
Volvo B (Free)	412.00	−8

SWITZERLAND

Sep. 15	Price Frs.	+ or −
Adia Intl.	13175	+375
Alusuisse	875	+5
Bank Leu	3825	−25
Brown Boveri	2990	+15
Ciba Geigy	4025	+115

AUSTRALIA (Continued)

Sep. 15	Price Aust$	+ or −
News	23.10	+0.2
Noranda Pacific	4.65	−0.1
North Bkn Hill	4.65	+0.2
Oakbridge	0.45	.....
Pacific Dunlop	5.58	−0.04
Pancont'l	4.00	+0.05
Pioneer Conc	4.60	.....
Placer Pacific	3.90	.....
Poseidon	6.90	.....
Queensland Coal	1.62	+0.04
Santos	7.16	.....
Smith (H.)	5.06	+0.06
Thos Nationwide	6.56	−0.04
Tooth	8.60	+0.1
Vamgas	3.60	.....
Western Mining	10.00	+0.12
Westpac	7.00	+0.14
Woodside Petrol	2.10	+0.05
Woolworths	5.40	+0.10
Wormald Intl	3.35	.....

HONG KONG

Sep. 15	Price H.K.$	+ or −
Bank East Asia	31.75	+0.5
Cathy Pacific	8.10	−0.1
Cheung Kong	12.90	.....
China Light	26.70	+0.4
Evergo	0.95	−0.01
Hang Lung	17.70	+0.3
Hang Seng Bank	47.50	+0.75
Henderson Land	7.25	−0.05
Hong Kong China	20.50	−0.2
HK Electric	10.10	.....
HK Land	8.35	−0.1
HK Shanghai Bank	10.60	.....
HK Telephone	16.40	−0.6
Hutchison Wpa	14.20	.....
Indust Equity P	32.00	−0.75
Jardine Math	22.50	.....
New World Dev	14.50	+0.1
SHK Props	18.30	.....
Shell Elec. Mfg.	2.25	+0.03
Swire Pac A	26.00	+0.2
TV-B	16.90	+0.1
Wharf Hldgs	10.10	−0.1
Windsor Ind.	19.50	+0.3
World Int Hldgs	4.75	−0.02

JAPAN (Continued)

SINGAPORE

SOUTH AFRICA

CANADA

TORONTO

Closing prices September 15

MONTREAL

Closing prices September 15

Indices

NEW YORK

STANDARD AND POORS

N.Y.S.E. ALL COMMON

RISES AND FALLS

TORONTO

MONTREAL Portfolio

NYSE-Consolidated 1500 Actives

	Stocks Traded	3.00p.m. Price	Change on Day		Stocks Traded	3.00p.m. Price	Change on Day
Foster Wheeler	1,925,500	22½	− 1⅛	Chemical Ny	1,841,600	38½	− ⅛
IBM	1,888,500	158⅝	− 3⅝	Exxon	889,100	46⅝	− ⅛
Manuf. Hanover	1,537,500	39⅞	− ⅛	So Cal Edison	868,500	31⅝	unch
Santa Fe South	1,248,700	55¼	+ ⅜	Dayton Hudson	838,500	52⅞	+ ⅛
Homs. Mining	1,155,800	181¾	+ 6	AT&T	810,300	32¼	− ⅛

LONDON — Most Active Stocks
Tuesday, September 15, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Brit Telecom	9.40m	255	− 7½	Guinness	4.80m	378	+ 3
Fisons	8.80m	334	−20	Land Securities	4.40m	584	+ 6
Benson Trust	6.40m	121½	− 1	BP	4.00m	361	—
Comm Union	5.90m	382½	+ 8½	Bee Corp	3.90m	218	− 3
Storehouse	5.70m	352	−20	STC	3.90m	298½	− 4½

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 47

LONDON Chief price changes (in pence unless otherwise indicated)

RISES:		
Abbey Life	320	+11½
Costain	374	+14
Engl. China Clays	522	+20
Granada	349	+10
Mountleigh Group	270	+10
Rang Org	690	+29
RHM	335	+ 7
Schol. (George H)	490	+10
Spectrum Group	128	+26
Taylor Woodrow	460	+10
United Spring	127	+16
Wheway	58	+ 6

FALLS:		
Brent Chemicals	194	− 8
Croda Intl	264	− 9
Fisons	334	−20
Matthews (B)	132	−23
Mill. & Santhouse	615	−35
Saatchi & Saatchi	635	−22
Stewart Wrightson	544	−16
Storehouse	352	−20
Willis Faber	356	−19

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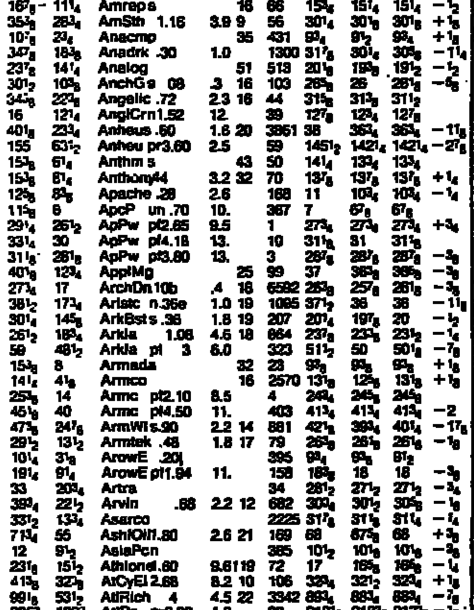
NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
37 7/8	20 5/8	AAR s	.50	1.4	24	64	35 1/4	35	35 1/4	+ 1/4
52	22	ADT	.92	1.8	29	1439	51 5/8	51 1/2	51 1/2	+ 1/8
31 1/4	16 3/4	AFG s	.16	.5	10	204	28 3/4	28 1/2	28 5/8	+ 1/8
22 3/8	8 3/8	AGS s			20	601	21 1/2	20 5/8	21 1/8	+ 3/8
10 5/8	6 3/4	AMCA				3	9 3/4	9 3/4	9 3/4	+ 1/4
9 3/8	4 7/8	AM Intl				451	7 3/4	7 1/2	7 5/8	− 1/8
65 1/2	50 1/2	AMR			12	2281	57 1/4	56 5/8	56 7/8	− 3/4
12 1/4	8 1/4	ARX s			12	122	11 5/8	11 3/8	11 1/2	− 1/8
73 1/2	34 3/8	ASA	2a	3.1		633	65	63 5/8	65	+ 1 3/8
20 7/8	9 3/4	AVX			39	507	19 5/8	19 3/8	19 3/8	− 1/8
67	41 7/8	AbtLab 1		1.6	24	4023	62 7/8	61 5/8	61 3/4	− 1 1/4
28	24 1/4	Abitibi g				13	24 3/4	24 1/2	24 3/4	
16 3/4	9 3/4	AcmeC .40		3.2	13	199	12 3/4	12 1/4	12 5/8	+ 1/4
10 1/2	6 1/8	AcmeE .32b		3.6	56	70	9 1/8	9	9	− 1/8
23 7/8	19	AdaEx 3.42e		16.		111	21 3/4	21 1/2	21 1/2	− 1/8
19 1/2	10 3/4	AdmMl s .24		2.3	8	247	10 3/4	d10 1/4	10 1/2	− 3/8
28 7/8	12 1/8	AdvSys .62t		2.2	19	434	28 5/8	28 1/8	28 3/8	
24 1/2	12 7/8	AMD				2371	21 3/8	20 5/8	20 7/8	− 1/2
56 3/4	47	AMD pf	3	5.7		5	52 3/4	52 3/4	52 3/4	− 5/8
11 7/8	5 1/4	Adobe				537	9	8 1/2	8 5/8	− 1/4
21 7/8	17	Adob pf 2.40		12.		76	20 3/4	20 5/8	20 5/8	− 3/8
15	10 3/8	Advest .12a		1.0	9	42	11 7/8	11 5/8	11 7/8	+ 1/8
68 1/4	53	AetnLf 2.76		4.6	8	1333	60 3/4	59 3/4	59 3/4	− 7/8
83 1/2	28 7/8	AflPb s .32		.5	21	2281	70	67 1/2	68	− 2 1/4
25 7/8	18 5/8	Ahmans .88		4.2	7	4731	21 1/4	20 1/2	20 3/4	− 1/2



Continued on Page 47

NYSE COMPOSITE CLOSING PRICES

Continued from Page 46

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
12 7/8	8 5/8	Orion pr .50	5.0			10	10	10	10	+ 1/8
38	23 7/8	OutbdM.64		1.8	27	264	36 5/8	36 1/8	36 1/4	− 1/2
28 1/2	18	OvShip .50		2.2	17	188	23 1/2	23 1/8	23 1/4	+ 1/8
32 1/8	8 7/8	OwenCn			13	900	24 1/8	23 5/8	23 7/8	− 1/2
16 5/8	10	OxfdF s .24		1.7	18	2	14 3/8	14 3/8	14 3/8	− 1/4
19	13 1/8	Oxford .50		3.0	18	30	16 3/4	16 3/4	16 3/4	− 1/8

P Q

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
45	29 1/8	PHH	1.08	2.8	16	389	39 1/8	38 5/8	38 5/8	− 5/8
53 1/2	31 3/4	PPG s	1.08	2.4	18	2571	45 3/8	44 5/8	44 3/4	− 7/8
17 3/8	14 1/2	PacAS 1.54		10.		54	15	d14 7/8	15	+ 1/4
27 3/8	19	PacGE 1.92		10.	11	7722	19 3/8	19	19 1/8	− 1/4
60 3/8	45 3/4	PacLtg3.48		6.1	13	441	57 1/8	56 3/4	56 3/4	− 5/8
17 3/8	12 7/8	PacRes10s		.8	22	82	13	12 7/8	13	− 1/8
27	22 1/2	PacRs pf 2		9.0		22	22 1/2	d22 1/4	22 1/4	− 1/4
20 1/4	13 5/8	PacSci .40		2.2	33	84	18 1/4	17 7/8	18	+ 1/8
32 7/8	22 1/2	PacTele1.64		5.7	12	8357	29 3/8	28 5/8	28 3/4	− 5/8
39	31 7/8	PacEnp2.52		7.3	9	744	35	34 3/8	34 1/2	− 1/2
20 7/8	12 1/8	PacoPh			11	335	12 7/8	12 1/4	12 7/8	+ 5/8
39 1/8	27 1/4	PainWb.52		1.7	10	787	30 3/4	29 1/2	30	− 5/8
28 1/2	22	PainW pf1.37		6.2		115	22	d21 7/8	22	− 1/4
8 5/8	4	PanAm				3013	5	4 3/4	4 3/4	− 1/4
2 1/4	1	PanA wt				103	1 3/8	1 1/2	1 1/2	
34 3/4	24 1/4	PanECn 2		7.3		2814	28 1/2	27 3/8	27 1/2	− 1
21 3/8	10 1/2	PanhB			15	3510	15 3/4	15 1/8	15 1/4	− 1
23 1/4	12 1/4	Pansphs.12		.6	22	589	21 1/8	20 3/8	20 3/4	− 1/2
27 1/4	8 5/8	ParPh s			28	180	23 3/8	22 1/8	22 3/4	− 1/2
8 3/4	3 3/8	Pardyn				448	7 1/4	6 7/8	7 1/8	− 1/4
24 1/2	15 1/8	ParkEl .16		.7	19	13	22 1/4	22 1/8	22 1/8	− 1/8
[illegible]										
20 3/8	12 3/8	Zero .36		2.0	18	81	18 3/8	17 7/8	18 1/4	− 1/8
30 3/4	17 1/2	Zurnin s .68		2.5	18	179	26 7/8	26 3/8	26 3/4	− 3/8
10 5/8	8 3/4	Zweig n.65e		6.3		777	10 3/8	10 1/8	10 1/4	− 1/8

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 45

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Newmont shines alone as blue chips tumble

WALL STREET

BUYING interest evaporated on Wall Street yesterday as both stock and bond prices tested the substance of the "base" levels which technical analysts were saying had been put in place by this month's slide and then revival, *writes Gordon Cramb in New York.*

The Dow Jones industrial average closed 46.46 down at 2,566.58, relinquishing more than two thirds of the 67.92 gain made over the past four sessions.

Lower throughout yesterday, it paused for an hour around 2,575, near to the 2,580 support level which Mr Newton Zinder of E. F. Hutton identified as having provided resistance on the way up.

Declines outweighed advances 1,169 to 419 as the NYSE composite index moved 2.56 lower to 177.98.

Turnover was on the thin side at 136.56m shares, indicating no great weight of selling pressure, but the tone was decidedly negative. Although some worries could be traced to the dollar, which lost ground, US data on retail sales and industrial production fell well within the mainstream of market expectations. If anything, the retail sales figures, showing a 1.3 per cent rise for August, indicated that overheating in the domestic economy was not as great a fear as some had ranked it.

Long bond yields, which had managed to return just below 9½ per cent recently, returned above 9.6 per cent.

In the stock market attention, not least that of Mr T. Boone Pickens, again turned to Newmont Mining. It hurtled $5⅝ higher to $101⅛ after Ivenhoe Partners, the investor group in which he is a main player, *had put an extra $10 to its bid to* $105. The 90 per cent owned Newmont put on $1⅜ to $46⅝. Mesa Limited Partners, Mr Pickens's main vehicle, at $16½ eased $⅛.

Elsewhere in the mining sector Asarco was $⅝ lower at $31¼, showing no further appreciation of the sale of shares under way in its MIM affiliate of Australia. Homestake Mining at $46⅝ was up $¼ while Phelps Dodge was down $1¼ to $47¾.

Among dull oil and gas issues Tenneco fell $1⅜ to $53 despite the reported arrival on its share register of Mr Carl Icahn. Exxon at $46⅝ was lower by $⅝, and Chevron lost $⅝ to $53¼.

The big three in the Detroit automotive business showed proportionately similar losses as the talks with the United Auto Workers lurched into a day-by-day extension of the strike deadline which had passed at midnight on Monday. Ford, the target company in the negotiations, slipped $2⅛ to $105⅝. Separately, Ford has said it may lift base prices for 1988 models by around 4 per cent to 6 per cent.

General Motors dipped $1 to $87⅝ while Chrysler, contending with a stoppage in Canada, lost $1⅛ to $43¼.

Other consumer-related industries showed Holiday Corporation $½ weaker at $32⅞ as it announced the sale to Bass of the UK of Holiday Inns overseas. Allegis, which earlier reached a deal with Ladbroke on its Hilton International and is seeking something similar for the Westin chain, showed no change at $98⅜.

Petrie Stores, a women's speciality chain, jumped $2¼ to $38⅝. Of other stores groups which have shown recent activity, The Limited fell $1½ to $39 and Zayre at $30⅝ let go $1.

RJR Nabisco shed $1⅛ to $65⅝ – doubts over its ability to sustain the cigarette market with a "smokeless" product had already led to a $1 fall on Monday.

IBM was again a weak feature, off $4⅛ to $157⅞ on examination of its copyright settlement with Fujitsu. Digital Equipment dropped $3½ to $187⅛ while Cray Research, the super mainframe developer, rallied $⅝ to $96⅞ as the battered shares explored a new trading level reflecting *the company's lowered technological sights.*

Telex Corporation, a maker of computer terminals and related equipment, remained at $51⅞ after a $13½ dive the previous session. It had cut earnings estimates, blaming tight pricing and difficulties with new products, and analysts responded by saying the stock was overvalued anyway.

Foster Wheeler, a process plant maker in which Mr Asher Edelman *has shown an interest, fell $1⅛ to* $22⅝.

In the credit markets, where the Federal Reserve at midmorning arranged $2bn in customer repurchases to smooth reserve positions, fed funds traded at 7⅜ per cent against an overnight 7³⁄₁₆. Three-month Treasury bills were barely moved from their auction levels at a 6.51 per cent yield, but government bond prices encountered renewed downward pressure.

At the long end, the 8⅞ issue due in 2017 fell 1⅝ to 92²³⁄₃₂ where it was yielding 9.63 per cent.

CANADA

ADVANCING gold stocks failed to buoy Toronto share prices as resource, energy and industrials pulled the market lower.

American Barrick gained C$⅝ to C$35⅝ and topped the actives list as it continued the rise, which has followed news of its joint venture with Newmont. In other golds Lac Minerals was up C$¼ to C$16¼ and Echo Bay Mines C$1⅛ at C$37⅛.

Among other mining issues Inco dropped C$1 to C$27¾ while Noranda slipped C$¼ to C$34¼ and Cominco C$⅝ to C$22½.

Banks were mixed, with the Bank of Montreal climbing C$⅛ to C$32¼.

Montreal fell fairly sharply. Vancouver was marginally lower.

Wong Sulong examines the uneasy relationship with Singapore

KLSE moves step closer to separation

THE MALAYSIAN Government's recent approval of full stockbroking licences for the three largest local banks is seen by local brokers as an important step towards eventual separation of the Kuala Lumpur and Singapore stock exchanges.

The three government-controlled banks – Malayan Banking, Bank Bumiputra and United Malayan Banking Corporation – will have to contribute 5m *ringgit* (£2m) each towards the development of the KLSE and inject 20m ringgit each in paid-up capital into their broking subsidiaries.

"There is an increasing acceptance among Malaysia's broking fraternity that the two exchanges will have to part although that day is likely to be in 18 months to two years, rather than in the immediate future," says a leading stockbroker in Kuala Lumpur.

He pointed out that both exchanges were recovering strongly from the Pan-Electric crisis of 1985 and no one wants to rock the boat by injecting an element of uncertainty.

The Malaysian Government and the Kuala Lumpur Stock Exchange feel, however, that, as long as most Malaysian counters are quoted in Singapore, growth of their own exchange will be retarded and foreign investors will find it convenient to use Singapore to buy Malaysian shares.

A good 60 per cent of the shares on the SES are Malaysian, and 40 per cent of Singapore *business volume is in Malaysian-based shares.* About 20per cent of the KLSE counters are Singapore-based, but trading in these shares is insignificant.

Since the collapse of Pan-Electric in late 1985, and the subsequent temporary closure of the two sister exchanges, companies on both sides of the causeway have been encouraged by their respective supervisory authorities to seek listings only on their own exchanges. Recent examples include Malaysian Airline System, Malaysian International Shipping Corporation and Southern Bank on the KLSE, and Singapore Airlines on the other side.

The recent introduction of new delivery rules and sliding commission rates on the SES are areas over which the two bourses have divergent opinions.

Malaysians point to the Singapore business community's reaction towards recent mosque fires in Pahang as showing how Malaysian investors are often at the losing end.

The burnings, believed to be the work of Islamic sects, occurred on August 31, Malaysian Independence Day. It was not a holiday in Singapore, and investors there dumped Malaysian shares.

When the KLSE reopened the following day, it lost more than 5 per cent in value on heavy selling pressure, fuelled by intense rumours of trouble from Singapore.

"Every time there is a small incident in some remote Malaysian village, the bears in Singapore make a big killing by spreading wild rumours," said one angry Malaysian minister.

EUROPE

Zurich gives $ benefit of doubt

EUROPEAN bourses were largely hesitant over the likely direction of *the dollar, with investors in Swiss* stocks taking the most bullish view. Oslo and Helsinki continued the Scandinavian bull run while Stockholm took a breather.

Frankfurt gave up Monday's gains after an optimistic opening as investors began to perceive the dollar's recent resurgence as fragile. The Commerzbank index, measured at mid-session and thus missing the late decline, rose 5.4 to 2,008.9.

Profit-taking was also encouraged by a slump in bond prices, which lost around half a point. The Bundesbank bought DM106.1m of paper after selling DM108.1m on Monday.

Losses were modest, but exporters suffered broadly. In cars, Daimler more than erased Monday's gains with a DM16.50 slide to DM1,097.50 while VW dipped DM3.80 to DM400 and BMW lost DM1 to DM756. Porsche's DM10 *rise to DM995 was the exception.*

Dresdner made ground in a mixed banking sector, raising DM3 to DM365.50 following a management statement that group earnings were again looking up. Commerzbank added DM2 to DM305.50, but Deutsche Bank was 70 pfg off at DM697.80 and Bayernverein DM3 down at DM497.

Siemens dipped DM1 to DM665 after Monday's big rise while fellow electrical AEG fell a further DM4 to DM337. Chemicals lost their momentum. Bayer's tiny 10 pfg rise to DM361.60 stood out against a DM2.70 dip for Hoechst to DM329 and DM1.50 fall for BASF to DM 338.50.

Zurich moved ahead in a flurry of renewed foreign interest following Monday's holiday. Dealers put a positive gloss on the dollar's performance as it held above SFr1.50.

Financial issues made best progress. Union Bank bearers added SFr145 to SFr4,975 and Crédit Suisse bearers SFr75 to SFr3,400. Adia bearers were SFr375 stronger at SFr13,175 and Ascom SFr75 better at SFr9,250.

Coffee and chocolate group Jacobs Suchard bearers climbed SFr325 to a year's high of SFr10,300 in the wake of Monday's news of a 14.5 per cent rise in first-half consolidated sales and a prediction of higher 1987 earnings.

Brussels ended mixed in a quiet session and the stock exchange cash index barely moved.

Petrofina sustained recent pace with a BFr75 rise to BFr13,450. Chemical Gevaert was also up, by BFr100 to BFr8,300 though Solvay fell back BFr100 to BFr14,350 and UCB gave up BFr300 to BFr10,650.

Paris slid gently on mild profit-taking spurred by a small rise in interest rates in a quiet market devoid of foreign buyers.

Declines were widespread and mostly narrow, although food stock Saupiquet was notable for a FFr90 fall to FFr1,450. Elsewhere, retailer *Carrefour was FFr35 off at FFr3,425* and bottled water group Source Perrier lost FFr7 to FFr876.

Amsterdam fell back as the softer dollar in the afternoon inspired some late selling. The market also reacted indifferently to the budget. Dealers said most of its measures had been expected.

Internationals were unchanged or lower, with Akzo and KLM both steady at Fl 176.60 and Fl 52.60 respectively, but Philips off 10 cents at Fl 52.50.

Oslo rose to a fresh peak after Norway's pro-market economy Progress Party doubled its share of the vote in local elections. The all-share index was up 2.91 at 421.11.

Shipping issues forged ahead, with Bergesen 'B' shares NKr6 up at NKr430. Kvaerner boosted industrials with a NKr13 jump to NKr315. Banks also rose.

Stockholm fell from record levels in thin, cautious trade. The Veckans Affarer all-share index dipped 0.3 to 1,171.6.

Saab-Scania, however, moved ahead strongly after Monday's news that its trucks division is to hire more workers to cope with current orders. It added SKr5 to SKr290.

Milan declined further to an all-time low for 1987 as the market continued bearish in the wake of Government measures to support the lira.

Montedison fell L36 to L2,180. It took out newspaper advertisements to deny that it planned shedding its pharmaceutical holdings.

Madrid eased from Monday's strong gains and fell from record levels in profit-taking. The general index was 0.31 lower at 316.11. Market leader Telefonica was 2 percentage points off at 232.75 per cent of nominal market value.

Helsinki struck its third consecutive record high in busy trade. The Unitas all-share index closed 2.10 up at the new peak of 637.

LONDON

THE UK securities markets were fairly subdued yesterday, with prices holding up well until Wall Street's early weakness depressed London.

The FT-SE 100 index ended 7.3 lower at 2,264.5, and the FT Ordinary finished steady at 1,775.4.

Sterling's firmer trend failed to deter US support for selected stocks including English China Clays, up 20p at 522p, and Rank Organisation, 19p higher at 690p.

Details, Page 44

SOUTH AFRICA

WITH the bullion price steady and in the absence of any other significant signals, Johannesburg gold shares closed mixed in dull and directionless trading.

Bellwether issue Vaal Reefs rose R3 to R453, but Driefontein fell 25 cents to R90.25. In mining financials Anglo American was steady at R88.50, as was Gold Fields of South Africa.

De Beers was R1 higher at R53 among other minings while Rustenburg Platinum was 25 cents cheaper at R57.00.

In industrials Barlow Rand and South African Breweries were both 50 cents off at R26.50 and R24.

ASIA

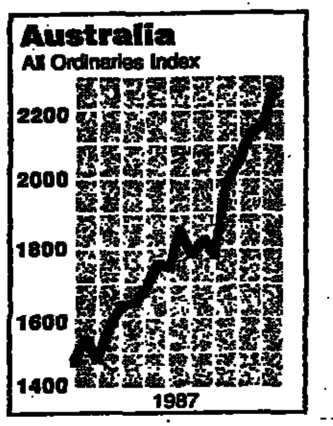
Sydney climbs to record on rate cut hopes

AUSTRALIA

GOVERNMENT expressions of concern over the strength of the Australian dollar helped to send Sydney share prices climbing to record heights in advance of the budget details.

The All Ordinaries index rose 24.6 to a new peak of 2,230.7. Turnover was a heavy 189m shares *nationally as the market was spurred* by hopes the budget would bring a fall in interest rates.

Financials showed some of the best gains, with National Australia climbing 18 cents to A$5.96 and ANZ bank up 8 cents at A$5.66 while *FAI Insurance added 10 cents* to A$8.20.



Industrials starred media stock John Fairfax, unchanged at A$9 on turnover of 3.66m shares as Mr Robert Homes à Court's Bell Group was rumoured to be trying to increase its stake.

HONG KONG

INVESTORS in the Hong Kong market took a generally relaxed attitude to the Cheung Kong group's huge rights issues, and share prices closed little changed after an early fall.

The Hang Seng index ended down 2.92 at 3,646.92 after falling almost 30 points at the start, and volume fell to HK$1.8bn worth of shares compared *with* HK$1.99bn on Monday. The Hong Kong index was off 2.51 at 2,396.12.

Shares in the Cheung Kong group's companies remained suspended but will resume trading today.

In utilities Honkong Telephone proved a depressant, *falling 60 cents to HK$16.40*

Hongkong Bank was steady at HK$10.60 before Marine Midland of the US accepted its sweetened buy-out offer.

Hongkong Hotels, which unveiled plans for an international share offering, was unchanged at HK$68.

Tokyo was closed for a national holiday

SINGAPORE

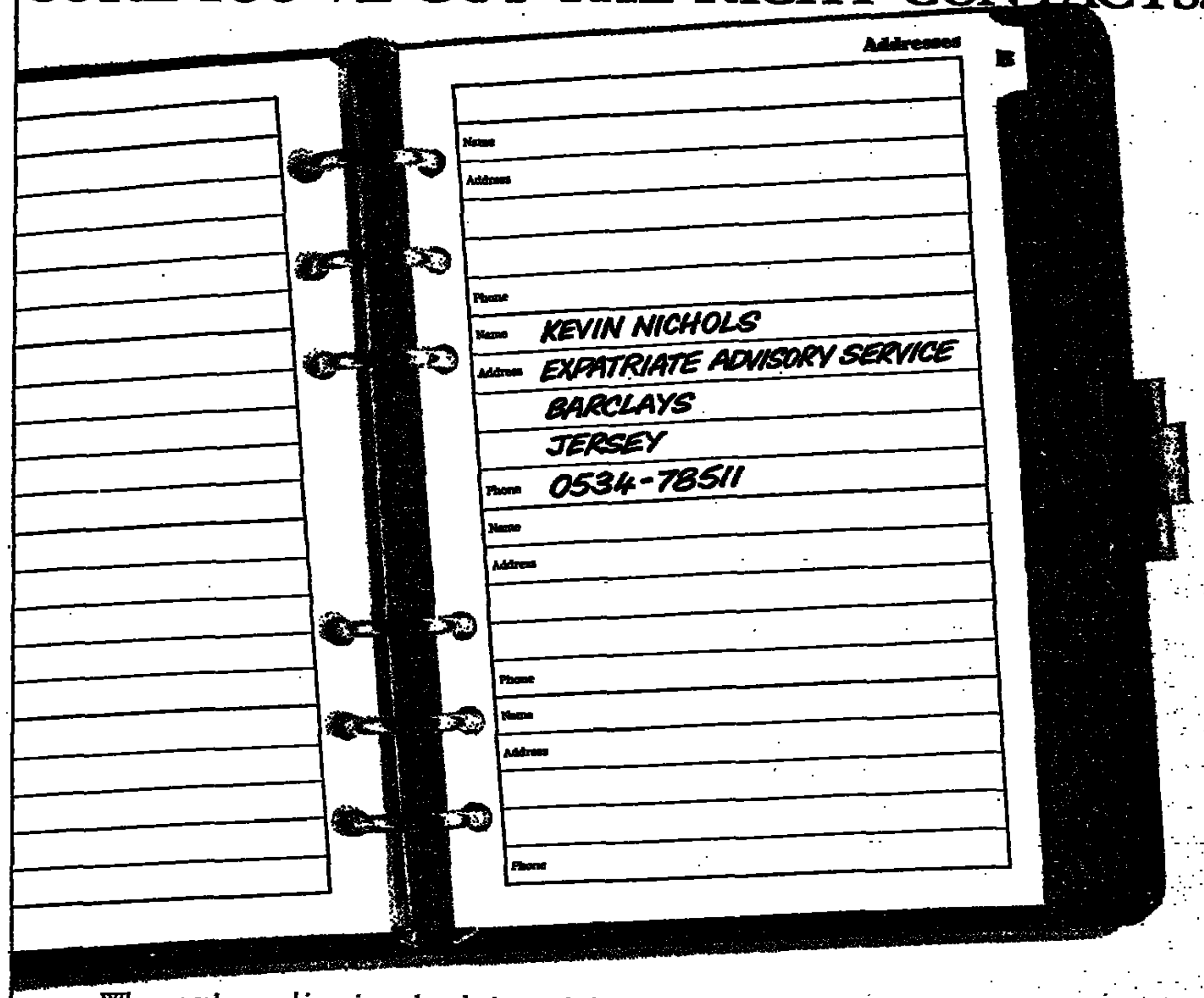
TRADING remained thin and lack*lustre in Singapore as a few inves*tors continued to take profits and the rest waited on the sidelines for news to spark the market.

The Straits Times industrial index closed 16.32 lower at 1,451.35. Among blue chips DBS was down 20 cents at S$16.80, Inchcape 15 cents to S$6.75 and Singapore Airlines 10 cents at S$14.80.

Local investors have withdrawn S$505.2m from the compulsory Central Provident Fund (CPF) for alternative investment since the Government relaxed CPF rules in May 1986.

● Taiwan share prices climbed in hectic trading for the third day running, rising 94.75 to a record 3,420.66. Brokers said local investors increasingly saw *stocks* as longer-term financial assets rather than just a target of speculation.

WHEN YOU'RE WORKING ABROAD, MAKE SURE YOU'VE GOT THE RIGHT CONTACTS.



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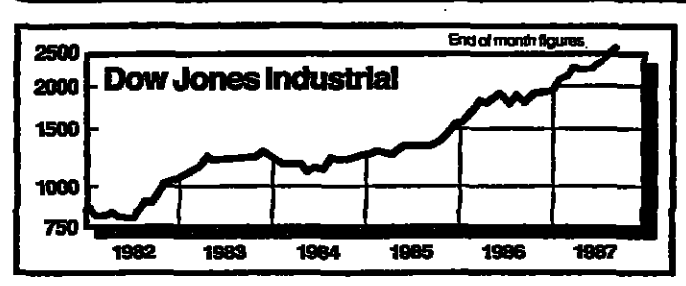
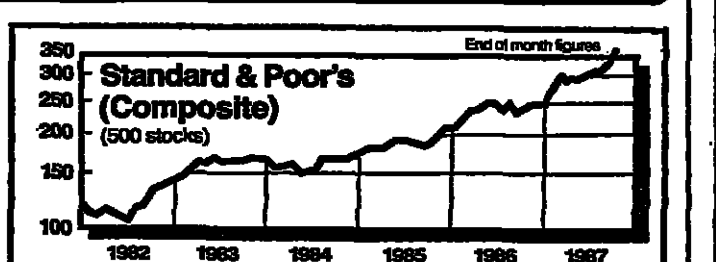
KEY MARKET MONITORS





STOCK MARKET INDICES

NEW YORK	Sept 15	Prev	Year ago
DJ Industrials	2,566.58	2,613.04	1,767.58
DJ Transport	1,033.46	1,038.72	740.75
DJ Utilities	197.25	199.86	200.21
S&P Comp.	317.90*	323.08	231.94
LONDON FT			
Ord	1,775.4	1,775.4	1,262.2
SE 100	2,264.5	2,271.8	1,628.30
A All-share	1,158.17	1,160.61	790.39
A 500	1,268.50	1,272.32	866.34
Gold mines	445.8	449.5	317.9
A Long gilt	9.99	9.97	9.89
World Act. Ind (Sept 14)	135.26	135.46	98.26
TOKYO			
Nikkei	closed	24,954.02	18,100.5
Tokyo SE	closed	2,065.57	1,498.67
AUSTRALIA			
All Ord.	2,230.6	2,206.0	1,224.4
Metals & Mins.	1,410.4	1,400.5	625.4
AUSTRIA			
Credit Aktien	217.45	215.66	237.58
BELGIAN SE			
SE	5,183.50	5,198.40	3,908.09
CANADA			
Toronto			
Met.& Mins.	3,235.5	3,298.2	2,162.75
Composite	3,921.7	3,940.2	3,018.9
Montreal			
Portfolio	1,939.90	1,955.02	1,522.08
DENMARK SE			
SE	n/a	204.85	195.41
FRANCE			
CAC Gen	429.70	431.60	385.8
Ind. Tendance	111.10	111.90	92.38
WEST GERMANY			
FAZ-Aktien	651.77	650.27	674.90
Commerzbank	2,008.90	2,003.50	2,035.0
HONG KONG Hang Seng	3,646.92	3,649.84	1,942.34
ITALY Banca Comm.	586.33	593.22	756.12
NETHERLANDS ANP CBS			
Gen	n/a		286.5
Ind	n/a		280.3
NORWAY Oslo SE	565.40	559.60	372.90
SINGAPORE Straits Times	1,451.30	1,467.60	827.31
SOUTH AFRICA JSE			
Golds	—	2,300.0	1,886.0
Industrials	—	2,210.0	1,360.0
SPAIN Madrid SE	316.11	316.42	190.41
SWEDEN J & P	3,124.50	3,134.30	2,500.75
SWITZERLAND Swiss Bank Ind	704.60	700.40	556.7

COMMODITIES (London)

	Sept 15	Prev
Silver (spot fixing)	469.40p	461.10p
Copper (cash)	£1,094.50	£1,106.00
Coffee (Sept)	£1,287.50	£1,281.50
Oil (Brent Blend)	$18.555	$18.375

GOLD ($/oz)

	Sept 15	Prev
London	$459.50	$456.25
Zürich	$459.05	$456.75
Paris (fixing)	$458.90	$456.85
Luxembourg	$457.55	$457.30
New York (Dec)	$465.90	$463.80

CURRENCIES (London)

	US DOLLAR Sept 15	US DOLLAR Previous	STERLING Sept 15	STERLING Previous
$	–	–	1.6425	1.6370
DM	1.8155	1.8170	2.9825	2.9750
Yen	144.00	144.40	236.50	236.50
FFr	6.0575	6.0675	9.9500	9.9325
SFr	1.5055	1.5070	2.4725	2.4675
Fl	2.0405	2.0455	3.3525	3.3475
Lira	1,310	1,311.5	2,152	2,147
BFr	37.60	37.80	61.75	61.85
C$	1.3150	1.3180	2.1590	2.1565

INTEREST RATES

Euro-currencies (3-month offered rate)	Sept 15	Prev
£	10	10
SFr	3⅝	3⅝
DM	3¹¹⁄₁₆	3¹¹⁄₁₆
FFr	7	8
FT London Interbank fixing (offered rate)		
3-month US$	7¹⁵⁄₁₆	7½
6-month US$	8	7¹⁵⁄₁₆
US Fed Funds	7⅜*	7¼
US 3-month CDs	7.15*	7.20
US 3-month T-bills	6.33*	6.325

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Sept 14				
(Sept)	83-25	84-16	83-13	84-11
US Treasury Bills (IMM) $1m points of 100%				
(Sept)	93.62	93.62	93.58	93.60
Certificates of Deposit (IMM) $1m points of 100%				
(Sept)	n/a	n/a	n/a	93.98
LONDON				
Three-month Eurodollar $1m points of 100%				
(Sept)	91.56	91.71	91.58	91.76
20-year Notional Gilt £50,000 32nds of 100%				
(Sept)	114-05	114-09	113-27	114-04

US BONDS

Treasury

	September 15 Price	September 15 Yield	Prev Price	Prev Yield
7¼ 1989	99[illegible]	8.275	99[illegible]	8.24
7 1994	93[illegible]	9.252	94[illegible]	9.146
8½ 1997	94[illegible]	9.45	95[illegible]	9.33
8¾ 2017	92[illegible]	9.437	93[illegible]	9.521

Source: Harris Trust Savings Bank

Treasury Index September 15

Maturity (years)	Return Index	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	–0.03
1–10	154.63	+0.12	6.66	–0.03
1–3	144.03	+0.07	6.37	–0.03
3–5	157.57	+0.17	6.71	–0.03
15–30	193.58	+0.59	7.78	–0.03

Source: Merrill Lynch

Corporate

	September 15 Price	September 15 Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	92	7.09	92	7.05
SCBT South Central 10⅞ Jan 1993	101	10.63	101	10.63
Phibro Sal 8 April 1996	87.10	10.30	86.59	10.40
TRW 8⅜ March 1996	92.18	10.15	91.91	10.20
Arco 9⅞ March 2016	93.51	10.60	94.79	10.45
General Motors 8⅜ April 2016	77.66	10.60	78.95	10.45
Citicorp 9⅜ March 2016	85.16	11.10	98.08	10.95

Source: Salomon Brothers

* Latest available figures